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OFFICE OF THE CHIEF OF NAVAL OPERATIONS
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IN REPLY REFER TO

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N465
7 June 99

OPNAV INSTRUCTION 4860.7C

From: Chief of Naval Operations

Subj: NAVY COMMERCIAL ACTIVITIES (CA) PROGRAM

Ref: (a) OMB Circular A-76 of 4 Aug 83
(b) OMB Circular A-76 Supplemental Handbook of Mar 96

Encl: (1) Navy Commercial Activities Program Manual

1. Purpose

a. To revise previously established policy, procedures and responsibilities for use by Navy activities engaged in commercial activities.

b. To amplify the guidance issued by the Office of Management and Budget (OMB) in references (a) and (b).

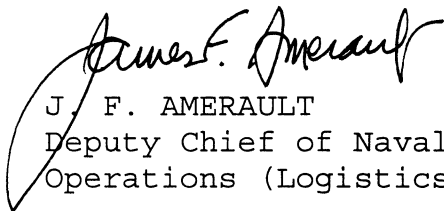
2. Cancellation. OPNAVINST 4860.7B and Report symbols OPNAV 4860-4, OPNAV 4860-5 and OPNAV 4860-7.

3. Change. This instruction is a total revision to OPNAVINST 4860.7B and should be read in its entirety. It provides program guidance for the Navy's CA program.

4. Applicability. Provisions of this instruction apply to all Navy activities. Implementation of these procedures outside the United States, its territories and possessions and the Commonwealth of Puerto Rico must be adapted to local law and treaties.

5. Action. Each major claimant will designate an official within its claimancy to have overall responsibility for implementation of the commercial activities program including this instruction. These officials will have access to all decision documents and data pertinent to actions taken under this instruction and will respond, in a timely manner, to all requests concerning inventories, schedules, reviews, guidance to field activities, and costs comparison analyses and appeals.

6. Reports. This reporting requirement is approved per SECNAVINST 5214.2B and is implemented to comply with 10 U.S. Code 2463. Report Control Symbol OPNAV 4860-6 has been assigned to the requirement contained in Appendix 3.


J. F. AMERAULT
Deputy Chief of Naval
Operations (Logistics)

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Secretary of the Navy

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OPNAVINST 4860.7C

COMMERCIAL ACTIVITIES (CA)
PROGRAM MANUAL



CHIEF OF NAVAL OPERATIONS

DEPUTY CHIEF OF NAVAL OPERATIONS (LOGISTICS)

7 JUNE 1999

NAVY COMMERCIAL ACTIVITIES (CA) PROGRAM MANUAL

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Record of Changes

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Introduction

This Instruction implements

- Office of Management and Budget (OMB) Circular A-76, Performance of Commercial Activities, 1983 and its Revised Supplemental Handbook, 1996 (NOTAL)
- Department of Defense (DoD) Directive 4100.15, Commercial Activities Program, 10 Mar 1989 (NOTAL)
- The DoD Instruction (DODI) 4100.33, Commercial Activities Program Procedures, 9 Sep 1985 (NOTAL)

This Instruction

- Establishes policy for managing and implementing the Navy Commercial Activities (CA) program.
- The Navy's Commercial Activity (CA) Program is a component of the Navy's Strategic Sourcing program. The reinvention of government must consider a wide range of options, including: the consolidation, restructuring or reengineering of activities, privatization options, make or buy decisions, the adoption of better business management practices and the termination of services or programs. In the context of this reinvention effort, the A-76 effort is focused on the conversion of commercial activities. The Navy is pursuing the reinvention of its infrastructure by the implementation of Strategic Sourcing. The key step in Strategic Sourcing is the proper definition of a function to optimize the use of tools to maintain or improve the level of performance or service, at a reduced cost. The A-76 process is one of the tools that may be utilized by an organization to obtain greater efficiency at a reduced cost.
- Follows, generally, the outline of the OMB Circular A-76, Revised Supplemental Handbook, 1996 and must be read in conjunction with same. As such, section/paragraph titles in this instruction correspond to those in the Circular. Readers will note that certain sections in this document contain brief discussions and summaries while other sections are absent of any text. This is intentional so as not to repeat what is contained in the OMB Circular.
- Provides guidance and procedures for determining whether recurring commercial activities will be performed as in-house operations using Navy

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facilities and personnel, or under contracts or agreements with commercial sources, state and local governments, and Federal agencies outside the DoD.

Commanders at all levels will continuously review their CA functions using the Commercial Activities inventory as a tool to identify competition opportunities. Commanders have authorization to nominate their activities as candidates for cost comparison.

If information contained herein conflicts with the law, or procedures contained in the OMB and DoD documents listed above, the law and/or OMB and DoD documents will have precedence over this instruction.

Part I—Policy Implementation

Chapter 1—General Provisions

A. General

1. This instruction does not apply during times of war or military mobilization, does not provide authority to enter into contracts, and applies to printing and binding only in Navy activities that are exempt by law from the provisions of Title 44 U.S. Code (U.S.C.), Public Printing and Documents. The Navy will depend on both Government and commercial sources to provide needed products and services with the objective of maintaining military readiness. It is Navy CA policy that activities will:

a. Perform CA services at their required quality and quantity of work at the lowest possible cost.

b. Perform cost comparisons according to OMB Circular A-76 and its Revised Supplemental Handbook (NOTAL):

(1) Before converting a CA from in-house operation to contract performance or from contract to in-house performance.

(2) Before starting or expanding any in-house CA.

(3) Before converting a CA to or from performance by an Interservice Support Agreement (ISSA) provider.

(4) Before converting a CA to or from performance by a State or local government agency except for emergency circumstances such as disaster relief.

c. Initially, obtain claimant approval before converting any activity to or from contract, in-house operation, or ISSA performance.

d. Complete cost comparison studies in the shortest possible time.

e. Not modify, reorganize, divide, or in any way change any commercial activity to circumvent the requirements of this instruction.

2. Implementation. The proponent of this instruction is the Deputy Chief of Naval Operations for Logistics. The proponent has the authority to approve exceptions to this instruction that are consistent with controlling laws and regulations.

3. Scope of Application

This instruction applies to all U.S. Navy and Navy Reserve organizations that perform commercial activities. This instruction does not apply to:

- (a) Products and services available from other Federal agencies (mandatory sources) required by law to furnish them including sources required by the Federal Acquisition Regulation (FAR) Part 8 (e.g., Federal Prison Industries, National Industries for the Severely Handicapped, and National Industries for the Blind.).
- (b) Products or services procured following treaties or international agreements or where the acquisition of products and services are inconsistent with law.
- (c) Expert or consulting services of a purely advisory nature related to functions such as Navy command, administration, and management including program management and control.
- (d) Nonappropriated Fund Instrumentalities (NAFI) staffed solely with civilian personnel paid by Nonappropriated Funds (NAF). Procedures contained in this instruction are mandatory for NAFI CAs when partially staffed with civilian personnel paid by appropriated funds (APF). The NAFI activities funded solely with NAF may be included in CA cost comparisons involving related functions.
- (e) Products or services provided by personnel or equipment assigned to combat units afloat or ashore.
- (f) The management and conservation of natural and cultural resources under DoD control, including planning, implementation, and enforcement functions.
- (g) Products and services exempt from OMB Circular A-76.

4. Responsibilities

a. Secretary of the Navy (SECNAV) (Note. The following does not constitute Chief of Naval Operations (CNO) assignment of responsibilities to the SECNAV, however the CNO will consult with SECNAV organizations on issues concerning the following.):

(1) Deputy Under Secretary of the Navy. The Deputy Under Secretary of the Navy (DUSN) represents the Department of the Navy (DON) on Competitive Sourcing issues with Congress, the Office of the Secretary of Defense (OSD), other

Services, other Federal agencies, and the Office of Management and Budget (OMB). The DUSN provides broad oversight for DON Competitive Sourcing policies and exceptions to policy.

(2) Assistant Secretary of the Navy (Research, Development & Acquisition) (ASN(RD&A)). The ASN(RD&A) has overall responsibility for, and provides acquisition management expertise and oversight on, all aspects of acquisition including acquisition planning, source selection, contract administration, and quality assurance to support Navy CA Program implementation. The ASN(RD&A) provides broad oversight for CA program policies.

(3) Assistant Secretary of the Navy (Installations and Environment) (ASN(I&E)). The ASN (I&E) provides policy oversight on CA issues.

(4) Assistant Secretary of the Navy (Financial Management & Comptroller) ASN(FM&C)). The ASN(FM&C) provides financial management and cost estimating expertise and represents the Navy on program issues before the congressional appropriations committees. The ASN(FM&C) verifies integration of all CA actions into the budget phase of the Navy Planning, Programming, and Budgeting System (PPBS).

(5) Assistant Secretary of the Navy (Manpower & Reserve Affairs) (ASN(M&RA)). The ASN(M&RA) provides military and civilian personnel and manpower management expertise.

(6) General Counsel of the Navy/Office of the General Counsel (OGC). The OGC, through the Office of the General Counsel (Research, Development & Acquisition), reviews proposed guidance on Navy CA policies and procedures and advises the Navy Staff on all matters related to the CA program. The OGC, through its field offices, provides CA legal advice on matters related to the CA program. The OGC, through its field offices, provides CA legal support to all Navy and U.S. Marine Corps (USMC) activities and claimants from initial reviews and announcements of study through any protests, legal challenges, and administrative appeals of decision implementation.

(7) Naval Audit Service (NAVAUDSVC)/The Auditor General:

(a) Develops, coordinates, and publishes guidance for performing Independent Reviews of CA cost comparisons.

(b) Serves as the Independent Review Officer (IRO) of CA cost comparisons involving 41 or more civilian Full-Time Equivalent (FTE) positions.

(c) Monitors and provides feedback to CNO (N4) and the Strategic Sourcing Office (SSO) on work performed by private consultants conducting Independent Reviews.

(8) Chief of Legislative Affairs (CLA). The CLA:

(a) Represents the Navy on CA program issues before the Congress.

(b) Monitors the development and passage of legislation affecting the Navy CA Program and notifies CNO (N4) about pertinent legislation.

(c) Notifies Congress of the Navy's intent to conduct cost comparison studies, informs Congress of cost comparison studies' progress as required by statute, notifies Congress of cost comparison studies' results, and conducts liaison with Congress regarding cost comparison studies.

(9) Navy Office of Information. The Chief Information Officer represents the Navy on CA Program issues before the news media and the public.

b. Chief of Naval Operations:

(1) The Deputy Chief of Naval Operations (Logistics) (N4) will:

(a) Act as the Navy's CA Program Manager and, as such, will act for the Office of the CNO (OPNAV) for CA matters.

(b) Publish guidance on Navy CA policies and procedures.

(c) Prepare congressional announcements of intention to perform cost comparisons and appropriate congressional notification of intention to award contracts. These include:

1. Approving all conversions of CAs involving more than 10 civilian positions prior to contract award.

2. Notifying commands of functions to undergo cost comparison.

(d) Monitor the overall progress of the CA program, and maintain the status of the Navy's CA inventory and cost comparison efforts including the review and approval of schedules for CA cost comparisons.

(e) Designate the lead claimant responsibility for CA studies which cross claimant organization lines and directs appropriate liaison between these claimants.

(f) Recommend to SECNAV the in-house retention of certain CAs to support National Defense.

(g) Approve the results of all CA inventories including assignment of Compelling Reason Codes.

(h) Monitor appeal officers' decisions for consistency.

(i) Direct Post-Most Efficient Organization (MEO) Performance Reviews.

(j) Coordinate with the Strategic Sourcing Office (SSO) for competitive sourcing and privatization initiatives generated by the CNO, claimants, and field activities.

(2) The Surgeon General of the Navy determines, on an individual basis, whether the performance of CAs in Navy hospitals by Navy personnel is in the best interest of direct patient care.

(3) The Deputy Chief of Naval Operations (Manpower & Personnel) (N1) will:

(a) Periodically update manpower data tools to assist claimants in the identification of candidates for competition that support military manpower and personnel requirements.

(b) Evaluate military billets to identify impact on personnel and manpower considerations (e.g., sea-shore rotation, homebasing opportunity and career progression, and other community management issues) and verify each billet has funding across the Future Years Defense Program (FYDP).

(c) Take action to adjust and shape enlisted and officer communities as programmed billet reductions reflect in the publication of new Enlisted Programmed Authorizations (EPA) and Officer Programmed Authorizations (OPA).

(d) Coordinate with the appropriate offices within the Naval Personnel Command.

(e) Coordinate with CNO (N4) to verify CA policies are consistent with manpower and personnel policies and procedures.

(4) The Director of Naval Training (N7) will, in conjunction with the Chief of Naval Education and Training, verify Navy training policies and procedures are consistent with CA program policies. The Director of Naval Training will develop and offer training courses specifically designed to meet the needs of the Navy's CA program.

(5) The Deputy Chief of Naval Operations (Resources, Warfare Requirements & Assessments) (N8) will:

(a) Provide force structure and skill sustainment expertise and, in coordination with ASN(M&RA) and DCNO(M&P), review uses of anticipated and actual military and civilian manpower savings resulting from CA program implementation.

(b) Review requests for functions recommended for conversion to in-house operation or for transfer to combat units.

(c) Integrate the Navy's CA program into the PPBS process.

c. The Strategic Sourcing Office. The Strategic Sourcing Office (SSO) is an OPNAV detachment established to facilitate the Strategic Sourcing process. Strategic Sourcing refers to the process that the Navy will use to determine how related functions should best be organized or eliminated to achieve greater efficiency at reduced cost. The Commercial Activities process is a key component in Strategic Sourcing, thus the SSO will function in a support role, when needed, throughout the entire CA process. The SSO does not supersede normal chain of command authorities. The SSO is responsible for promoting the most streamlined processes to provide the Navy the best value for all products and services competed. This includes developing/determining measurement requirements and recommending optimal approaches for outsourcing different support services, such as the use of multi-functional versus discrete functional approaches and regional versus activity-oriented solicitations.

d. Major Claimants will directly implement and manage the Navy's CA program for all subordinate elements as directed by this instruction, and will:

(1) Verify accomplishment of their activity's CA inventory as planned and verify products and services are obtained according to the criteria in this instruction and other applicable laws and regulations.

(2) Verify field activities receive adequate oversight during the cost comparison process, including:

(a) Providing technical assistance.

(b) Establishing Plan of Action and Milestones (POA&M) for cost comparisons, in conjunction with activity commanders, and monitoring of POA&M accomplishment.

(c) Verifying the conduct of Independent Reviews conform to this instruction.

(d) Conducting cost comparison reviews at each field activity as appropriate.

(3) Verify that the conduct of administrative appeals conform to this instruction.

(4) Prepare and maintain standard Performance Work Statements (PWS) for functions which the claimant has primary responsibility.

(5) Approve or disapprove requests to continue or expand CAs requiring additional funding, equipment, or military and civilian personnel in cases where the required additional resources can be made available from within their claimancies and where the action does not constitute a new requirement.

(6) Approve requests to use contractor support in developing PWSs or in performing CA management studies or cost comparison analyses.

(7) Approve, for CA functions involving 10 or fewer civilian positions, direct conversion to contract. (Note: The Navy announces these functions to Congress as a courtesy prior to conversion.)

(8) Coordinate all CA actions with CNO (N4) and their activity commanders.

(9) Verify their field activity commands meet the reporting requirements of this instruction.

(10) Collect and enter data required by this instruction into the Commercial Activities Management Information System (CAMIS).

e. Activity Commanders will:

(1) Appoint a CA Program Manager to monitor and coordinate the operation of their command's CA program.

(2) Verify the CA inventory and review of their command's CA functions and, in coordination with the chain of command, decide which functions should be subject to cost comparison.

(3) Accomplish all CA actions requiring approval, including new requirements, expansions, and governmental function determination, according to this instruction.

(4) Verify development and completion of their activity's PWS, Quality Assurance Surveillance Plan (QASP), and Management Plan. (Note: Each activity is responsible for the development of its PWS, QASP, Management Plan, and In House Cost Estimate (IHCE)). Where provision of in-house services under a host-tenant relationship exists, the activity providing the services is responsible. The receiver of the support services will provide its requirements to the activity provider for inclusion in the PWS.

(5) Verify preparation of cost comparisons for CA conversion.

(6) Obtain CNO (N4) approval before award if solicitation results in a decision to convert to contract.

(7) Provide a sufficient number of qualified personnel to perform quality assurance.

(8) Provide quality assurance reports to the contracting officer.

(9) Evaluate contractors' request for payment and recommend adjustments as appropriate.

(10) In conjunction with the contracting officer, develop proposed contract modifications, including cost estimates, and provide them to the contracting office.

(11) Assist the contracting officer, as requested, with negotiation of contract modifications.

(12) Fund contractual obligations and identify all un-resourced personnel and funding requirements to the attention of the major claimant.

(13) Certify their activity's MEO.

(14) Begin implementation of the MEO within 30 days of decision to perform in-house and achieve MEO operation, to allow for formal Post-MEO Performance Review, by the end of the first full year of performance.

(15) Certify, 1 year after MEO implementation, that the in-house operation is performing to the levels specified in the PWS and within the In-House Cost Estimate (IHCE).

(16) Annually identify to ASN(M&RA) all potential Reductions In Force (RIF) resulting from competitions.

(17) Fulfill any required labor/management bargaining obligations through consultation with appropriate exclusive bargaining representatives.

(18) Collect and report the information required by this instruction regarding cost comparisons to the major claimant.

f. Contracting Offices will participate in the conduct of cost comparisons and will:

(1) During the pre-award period:

(a) Assist with the preparation of acquisition plans.

(b) Assist activities with writing their PWS and Quality Assurance Surveillance Plans (QASP), and review all activity-developed PWSs for contractibility.

(c) Perform solicitation actions.

(2) During the post-award period:

- (a) Perform contract administration actions, as necessary.
- (b) Process, to approval, all contract documents requiring exercise of contracting authority.
- (c) Negotiate all changes.
- (d) Direct remedial contractor action.
- (e) Delegate authority to activities for surveillance/inspection of contractor's performance.

g. Human Resources Service Centers/Human Resources Offices will:

- (1) Answer affected employees' questions regarding benefits, Right of First Refusal, and RIF procedures.
- (2) Provide personnel cost data to the CA Team.
- (3) Provide necessary services to affected civilian employees.

h. Employees in the activity under study will:

- (1) Support activity commanders during the CA study.
- (2) Participate, fully, in the development of the PWS and the Management Plan.
- (3) Recommend functional improvements to the CA Team for inclusion in the PWS and Management Plan.

5. Safety. When specific safety procedures apply to a CA, activities will ensure these requirements are included in the PWS. The QASP will include safety inspections, as appropriate. Activities should consult with cognizant Navy safety and health professionals during preparation of the PWS and QASP to verify and address all pertinent safety and health requirements.

B. Inherently Governmental Activities

1. Inherently Governmental activities are not subject to OMB Circular A-76 or this instruction.

2. Activities specifically exempted by statute are not subject to OMB Circular A-76 or this instruction. Presently, these include certain workers performing depot-level maintenance (Title 10 2464), firefighters and security guards (Title 10 2465), and certain workers performing wildlife conservation and rehabilitation (Title 16 670a). Additional information is at the appendix entitled Principal Statutes Governing CA.

C. Government Performance of Commercial Activities.

Government performance of a commercial activity is authorized under any of the following conditions:

1. National Defense or Intelligence Security.

The basic National Defense considerations are mobilization requirements, training requirements for skills that are exclusively military in nature, military rotation base requirements, career progression, and specifically exempted core logistics functions. Activities will justify retention of in-house operation for National Defense reasons on a case by case basis. The justification will address the specific function and military positions under review and must include a detailed explanation of why commercial suppliers cannot provide the needed capability. Activities will prepare a summary of the initial determination to retain functions in-house for reasons of National Defense and forward their request to CNO (N4) via the chain of command for approval. For mobilization or contingency requirements, approval of justification to retain functions in-house will occur when activities performing these functions receive the designation of "deployable" in approved contingency plans.

2. Patient Care.

The Navy Surgeon General may authorize performance of CAs at DoD hospitals by Navy employees if performance by Navy personnel is in the best interest of direct patient care. Activities will provide detailed documentation to justify such decisions.

3. Core Capability.

This only applies to core logistics functions needed to maintain a logistics capability and a ready and controlled source of technical competence and resources necessary to ensure effective and timely response to National Defense contingency, mobilization, and other emergencies. Navy activities may request exemption, based on these requirements, on a case by case basis from CA cost comparison for National Defense reasons. Logistics functions justified as vital to combat and direct combat support activities in times of mobilization, National Defense contingency, and other emergency requirements, are candidates for designation as core logistics functions.

Title 10 U.S.C. 2464

4. Research and Development.

This instruction does not apply to the conduct of research and development. Research and development activities may be performed in-house, by contract, or by ISSA without cost comparison. Recurring and severable activities that are performed in support of direct research and development are subject to the cost comparison requirements of this instruction. The operation or support of installations or equipment used for research, development, test and evaluation (RDT&E), including maintenance support of laboratories, operation and maintenance of test ranges, and maintenance of test aircraft and ships, is subject to the CA program. The fact that these support functions are funded with RDT&E funds does not constitute an adequate basis for their exclusion from the CA program.

5. No Satisfactory Commercial Source

6. Functions with 10 or Fewer FTEs

a. Direct Conversion of Commercial Activities. Navy policy provides for direct conversion of CAs involving 10 or fewer civilian employees to in-house or ISSA performance after meeting the following conditions:

(1) If the contracting officer determines that the contractor's performance is unsatisfactory and that fair and reasonable prices cannot be otherwise obtained.

(2) If the conversion to Government employee in-house operation supports cost effectiveness (Activities should make this decision after completion of a cost comparison similar to that found in the Navy's Guide for Conducting a 10 and Under Study).

7. Meet Performance Standard

8. Lower Cost.

Except as otherwise provided by law, the Secretary of Defense shall procure each supply or service necessary for or beneficial to the accomplishment of the authorized functions of the DoD from a source in the private sector if such a source can provide such supply or service to the Department at a cost that is lower than the cost at which the Department can provide the same supply or service. Activities will perform a cost comparison according to OMB Circular A-76 to determine lower cost. *Title 10 U.S.C. 2462*

9. Temporary Authorization for In-House Performance

10. Expansion.

An expansion is the modernization, replacement, upgrading, or the enlargement of an in-house commercial activity or capability. If the expansion involves a 30-percent increase in the operating cost of the activity, a 30-percent increase in the total capital investment to perform the activity or an increase of 65 FTE or more, a cost comparison is required prior to authorizing in-house performance. A consolidation of two or more existing commercial activities is not an expansion, unless the total operating cost is 30 percent greater than the total of the individual components or it requires an increase of 65 FTE or more. The above definition notwithstanding, pursuant to OMB Circular A-126 all aircraft purchase decisions should be justified through formal cost comparison, as provided by the OMB Circular A-76, Revised Supplemental Handbook (NOTAL).

D. Contract Performance of Commercial Activities

1. Contracted Activities.

An activity obtained through a competitively awarded contract will continue to be obtained by contract as long as the quality of service is acceptable and competitive prices are fair and reasonable. If the Government believes that quality is unacceptable or prices appear unreasonable, a cost comparison is conducted to justify conversion to in-house or ISSA performance.

2. New Requirements.

Navy activities will obtain all new commercial activity functional requirements by a competitively awarded contract. Activities will conduct a cost comparison study to justify in-house or ISSA performance if there is reason to believe that contract service price or quality would be unreasonable.

3. Severable Expansions

4. Interservice Support Agreements (ISSA)

5. Activities With 10 or Fewer Civilian FTE

a. Activities may convert functions to contract without submission of a management plan or cost comparison upon meeting the following conditions:

(1) The activity commander must attempt to place all affected civilian employees in a position at their present installation, or within the local area, commensurate with their current skills and pay grades. If vacancies do not exist, the employees will receive retraining opportunities for existing or projected vacancies at

their present installation or within the local area. Activity commanders will ensure all affected civilian employees are afforded placement opportunities via the Priority Placement Program and all affected employees will be afforded "Right of First Refusal" in the contract. A conversion of an activity with 10 or fewer FTE is not subject to appeal under CA administrative appeal procedures. The Navy announces activity direct conversions to Congress as a courtesy.

(2) The contracting officer determines that offerors will provide required levels of service at fair and reasonable prices.

6. Activities with 11 or More FTE

a. Functions with 11 to 50 civilian FTEs. In this case, activities will conduct a CA study to formulate an MEO and perform a full or streamlined cost comparison. Any decision to convert the function to contract requires congressional notification prior to actual conversion. The Navy announces cost comparison studies of these activities to Congress as a courtesy. *Fiscal Year (FY) 1999 Defense Appropriations Act Section 8014*

b. Functions with more than 50 civilian FTEs. In this case, activities will conduct a CA study to formulate a MEO and perform a cost comparison. Any decision to convert the function to contract requires congressional notification prior to actual conversion. The CNO (N4) announces these functions to Congress as required by law before the study commences. *Title 10 U.S.C. 2461*

7. Activities Performed by the Military.

Upon announcement, the function can be "directly converted" as detailed in OMB Circular A-76. Activities will report cost data in accordance with the Reporting Requirements Appendix. All functions involving military personnel must have secured prior approval from CNO (N12) and (N4) to eliminate military billets. The Navy announces cost comparison studies of activities performed by the military to Congress as a courtesy.

8. Preferential Procurement Programs.

Activity commanders may convert in-house activities of any size to contract performance without a cost comparison if award of the contract is to a required source of supplies and services, as defined in FAR Part 8, Required Sources of Supplies and Services, at a fair market price even when the conversion results in adverse employee actions. If possible, activity commanders must attempt to place all affected civilian employees in a position at their present installation, or within the local area, commensurate with their current skills and pay grades. If vacancies do not exist, the

employees will receive retraining opportunities for existing or projected vacancies at their present installation or within the local area. Activity commanders will ensure all affected civilian employees are afforded placement opportunities via the Priority Placement Program and attempt to provide all affected employees the "Right of First Refusal."

9. Lower Cost

E. Agency Cost Comparison Waivers

F. Inventory.

The CNO (N4) separately publishes and issues CA inventory policies and procedures.

G. Review of Documents

1. Access to Supporting Documents

a. Activity commanders or their designated representatives will consult with civilian employees affected by CA cost comparisons at least monthly during the preparation of the PWS and the management plan and consider the employees' views in the preparation of these documents. Activity commanders may also consult with employees on other matters related to the CA cost comparison. If a labor union represents affected employees, consultation with union representatives fulfills the above requirement. Management should provide employees with updated milestones/target dates and the general status of study progress, and should offer the employees an opportunity to review and to comment on the PWS. To preclude allegations of non-compliance with this statutory requirement, management should summarize the results of each monthly meeting in a brief memorandum for the record and forward copies to employees' representatives and post copies in the work place. *Title 10 U.S.C. 2467*

b. Since parts of the management plan concerned with the development of the MEO must remain confidential until bid opening, employees who are not members of the CA Team may not review them. Management should encourage all employees to contribute suggestions concerning ways to increase efficiency of the Government's operations. In both cases, management must advise employees that their role is purely consultative and that final decisions concerning both the PWS and the MEO will rest with management.

c. All supporting CA documentation must be available for examination upon congressional request. *Title 10 U.S.C. 2461*

2. Appeals of Agency Decisions

H. Personnel Considerations

1. Military. Activity commanders will take prompt action to identify and reassign military personnel from activities proposed for CA study:

a. Billet Identification and Approval. When proposing a CA study containing military personnel to CNO (N4), activities will submit complete identification of all military billets and their future years' funding information to CNO (N12) for review to determine any adverse impacts position withdrawal may have on rotation and homebasing. Activities will not revise military manpower authorization documents for CA functions under review/study without prior OPNAV approval.

b. If activity military billet deletion is denied, activities and claimants must decide:

(1) If, in light of the CNO (N12) decision, the function is excluded from competition.

(2) If restructuring the business unit could allow for an organization where the military function continues regardless of any cost comparison decisions.

c. Once billets are approved for cost comparison they will be given an Accounting Category Code (ACC) "E" in the Total Force Manpower Management System (TFMMS). This action indicates that these billets are not available for other initiatives.

d. Conversion and Deletion/Transition. Activities and claimants must coordinate billet deletion and obtain new funding for civilian employees under MEO or for contractor operation.

e. Funding Conversion

(1) Directly Funded Activities. Claimants must coordinate with the appropriate resource sponsor(s) to transfer the funding for military billets from Military Personnel, Navy (MPN) to Operations and Maintenance, Navy (O&MN). Resource sponsor(s) will submit issue papers for the next Program Objective Memorandum/ Program Review (POM/PR) cycle. Activities will accurately identify funded billets to receive O&MN compensation. Claimants must also identify the transferred and increased O&MN account to the resource sponsor. Claimants will receive one half of

the MPN and one half of the O&MN programming rate for each billet in the first fiscal year of the program (i.e., in FY 00 for an issue identified in POM 00) and the full O&MN rate thereafter.

(2) Navy Working Capital Fund (NWCF) activities. No funding conversion occurs for NWCF activities and the resource sponsor will submit POM/PR issues to adjust the military reimbursable end strength.

f. Billet Deletion. After approval of POM/PR issues, claimants must submit automated TFMMS packages to match specific billet reductions to programmed endstrength reductions and identify billet phase-out dates as part of the claimant qualitzation process. Completion of qualitzation will provide the data necessary for strength planning and community shaping. This process also signals the distribution system to show billet phase-out to detailers. Transition to contract or in-house performance requires coordination similar to normal permanent change of station (PCS) moves. At a minimum, the following coordination will take place:

Claimant	with	Manning Control Authority (MCA)
Activity	with	Placement Officer
Individual	with	Detailer
Placement Officer/Detailer	with	MCA

Activity commanders must develop and coordinate, with the Commander, Navy Personnel Command (NPC 45), a detailed transition plan that includes alternatives such as extending individuals, "gapping a billet," realigning personnel resources, establishing temporary fills with local temporary active duty (TAD), etc.

2. Civilian

a. Careful planning and full involvement of Human Resources Service Center (HRSC)/Human Resources Office (HRO) staffs and other cognizant personnel will reduce potential adverse impact to civilian personnel during CA studies. Staffs must assist affected/ displaced employees by:

(1) Answering affected employees' questions regarding benefits, Right of First Refusal, RIF procedures, and available transition services.

(2) Assisting the CA Team with MEO position classification and Transition Plan (TP) actions.

(3) Reviewing all affected employees' Official Personnel Folder documents to determine employees' qualification for available positions.

(4) Providing employee services for affected civilian employees including:

(a) Registration in Defense Outplacement Referral Service (DORS) and the Priority Placement Program, and establishing entitlement to separation incentive pay.

(b) Establishing outplacement and employment assistance services with state government and local businesses.

(c) Contacting local vocational/technical schools and colleges and universities capable of providing retraining opportunities and resume writing classes for all affected personnel.

(d) Coordinating with the Department of Veterans Affairs in behalf of affected former Service veterans who are eligible for GI Bill educational benefits.

(e) The Navy has a responsibility to consider the special needs of handicapped employees. Commands will make a concerted effort to assist handicapped employees and disabled veterans as part of their affirmative action plan.

(5) Providing personnel cost data to the CA Team.

b. Reduction in Force (RIF) Planning

(1) The goal of RIF planning is to reduce, as much as possible, adverse personnel actions. Activities will make every reasonable effort to place or retrain civilian employees displaced as a result of a CA cost comparison or direct conversion. Where no actual or projected vacancies exist, HRSCs and HROs will coordinate with appropriate state employment offices to pursue possibilities for retraining opportunities under the Job Training Partnership Act or similar retraining programs for transition to the private sector. A RIF may be unavoidable even after exhausting all reasonable placement efforts. In this event, HRSCs and HROs will make every effort to help separated employees find alternate employment. *Title 10 U.S.C. 2468*

(2) Activities will annually identify to ASN(M&RA) all potential RIFs resulting from A-76 competitions for that fiscal year and for the first quarter of the next fiscal year if employees will receive RIF notification resulting from an A-76 competition. This identification of a potential RIF is a "worst case" analysis and in no way intends to pre-judge the outcome of any cost comparison. Activities will follow specific RIF

guidance in the SECNAVINST 12351.5E, Approval and Notification of Civilian Reduction-in-Force, Transfer of Function, and Furlough Actions.

c. Commercial Activities Training. Adequate training of personnel responsible for implementing the CA program significantly improves study conduct and completion. The Chief of Naval Education and Training (CNET) offers training specifically tailored to meet the requirements of personnel responsible for implementing the CA program. Activities will request training courses through their major claimants' CA point of contact.

d. Use of Volunteer, Prisoner, and Temporarily Assigned Military Manpower. Activities will exclude volunteer, prisoner, and temporarily assigned military manpower from OMB Circular A-76 cost comparisons. Specifically, the PWS will not include supervision of, or performance of work by, volunteer, prisoner, or temporarily assigned military manpower.

I. Relationship to the Budget

Chapter 2—Interservice Support Agreements (ISSA)

A. General

1. An ISSA may offer the opportunity to reduce costs through economies of scale. Activities will use the cost comparison study procedures established by OMB and this instruction to determine when services should be performed by in-house, contract, or ISSA resources. For the purpose of the ISSA provisions of this instruction, the term ISSA means support provided by or to a Federal agency outside of DoD. Support agreements with other Army, Navy, or Air Force installations or with other DoD activities are not governed by this instruction, with the following two exceptions:

a. Activities will perform a cost comparison when a Support Agreement with another DoD activity would result in a change to or from contract performance.

b. Activities will conduct a cost comparison, under OMB Circular A-126, Improving the Management and Use of Government Aircraft (NOTAL) before providing aviation services.

B. Specific

1. Effective 1 October 1997:

a. An existing ISSA may be continued or renewed without cost comparison study. Also, activities may consolidate support services into new, intra-service revolving or franchise funds without a cost comparison study provided the consolidation does not change the method of performance.

b. New or expanded ISSA support requests must be justified by a cost comparison.

c. If the ISSA provider has competed the same type work with the private sector, the provider may increase capacity up to 30 percent or 65 civilian FTEs without a cost comparison study. If a new or expanded ISSA would result in a conversion of work to or from in-house or contract performance, and a cost comparison study has not previously justified the provider's method of performance, a cost comparison study is required.

2. Cost comparison studies conducted to justify ISSA are subject to independent review and appeal.

3. The commander may, with proper notification to the provider, terminate an ISSA and convert directly to contract performance without a cost comparison study. However, a cost comparison study is required to convert the work to in-house performance.

4. A prospective provider responding to a formal solicitation will submit to the requesting agency a synopsis, management plan, and certification that the provider's reimbursable cost estimate is developed in accordance with OMB Circular A-76 Revised Supplemental Handbook (NOTAL). A complete response as required by the FAR is not necessary.

5. Under no conditions will cancellation or delay of a cost comparison bid opening or contract award occur in order to permit an ISSA offeror to submit a price or reimbursable rate.

6. The requester may accept or reject the prospective provider's offer as technically qualified or unqualified as it deems appropriate and without appeal.

7. Activity commanders who wish to provide commercial activities to another agency may petition the agency to conduct a cost comparison study.

8. Cost comparison studies must be conducted prior to making an offer to provide or receive commercial services to or from state or local government agencies except for emergency circumstances such as disaster relief requirements.

Chapter 3—Cost Comparisons

A. General

1. Scheduling the Cost Comparison Analysis. Activity commanders will recommend CA functions for cost comparison through their chain of command to their major claimants and CNO (N4). The CNO (N4) will verify recommendations are consistent with Navy-wide CA study efforts. Major claimants should make every effort to conduct studies of common functions at all sites on a claimant-wide basis or on a regional basis, or conduct consolidated studies of multiple functions at a single site. Activities should follow procedures contained in the Navy's Succeeding at Competition: Guide to Conducting Commercial Activities Studies and the Business Unit Definition and Analysis Guide to determine the optimal composition and structure of the CA study team. Activities will coordinate these efforts to achieve the maximum efficiency for both the study effort and the final organization that will accomplish the function.

2. Upon a decision to perform a cost comparison and after congressional notification, CNO (N4) will inform field activities and their major claimants. Commands are then required to conduct local notification in accordance with the Public Affairs Guidance Appendix to this instruction.

3. Change in Number of Functions/Positions. Activity commanders have authorization to expand an announced CA function if the expansion is justifiable and it does not significantly increase the study effort. Any significant expansion, to include previously unannounced functions or a substantial increase to the number of studied positions, requires congressional announcement. Minor decreases in the number of positions under study does not require additional reporting; however, significant decreases to the number of announced positions, or removal of congressionally announced functions from a study, requires CNO (N4) approval.

4. Cancellation. Cancellation of an entire A-76 study requires CNO (N4) approval. The request for cancellation should contain justification of why the commercial activity is no longer suitable for competition with the private sector.

5. Plan of Action and Milestones. The CA team will establish a POA&M that will be approved and monitored by the activity commander. While complexity, size, and previous experience will influence CA study time requirements, activity commanders should strive to complete each study in an aggressive manner. This plan must provide

for completing single function studies in less than 18 months and multi-function studies in less than 36 months from the announcement date to the tentative decision to award date. Studies that extend beyond these limits must report a description of problems encountered, remedial actions taken, status, and expected completion date to CNO (N4) via the chain of command prior to the deadline date. By law, single function studies must not extend beyond 24 months from announcement and multi-function studies must not extend beyond 48 months from announcement. Activities must submit their POA&M, via the chain of command, for entry into the Commercial Activities Management Information System (CAMIS) within 60 days of the announcement of the study. Guidance for development of the POA&M are contained in Succeeding at Competition: Guide to Conducting Commercial Activities Studies (NOTAL). The Reporting Requirements Appendix contains the minimum required milestones for the POA&M. *The 1999 DoD Appropriations Act, Section 8026*

6. Major Claimant Oversight and Review. To verify compliance with cost comparison procedures, major claimants should conduct initial and periodic reviews of their ongoing cost comparisons. These reviews provide valuable feedback on the status and quality of ongoing CA studies. Navy experience has demonstrated that cost comparisons characterized by high levels of command attention and broad levels of participation have proven the most successful, regardless of their outcome. At the completion of each review, claimants should provide to CNO (N4):

- a. A brief report of the CA study team's findings
- b. A list of deficiencies and directed corrective actions
- c. Follow-up procedures verifying implementation of corrective actions
- d. Lessons learned and suggested changes to Navy policy

B. The CA Study Team

1. The CA study team will include:

- a. A CA team leader who is charged with overall study management and for assignment of duties and tasks to other team members. The team leader serves as the primary liaison between the team and the rest of the organization, monitors action milestones, and arranges and conducts status briefings for the activity commander. The team leader also facilitates team meetings and arranges logistical details, and verifies that appropriate reference materials, office space, automation, supplies, and

administrative support is always available for the study team throughout the full term of the study.

b. A contracting office staff representative who is the primary individual responsible for preparing the acquisition strategy, preparing the solicitation for bids/proposals based on the specific PWS requirements, determining the contract vehicle type, and evaluating the resulting bids/proposals. The team will assist the contracting office staff representative with the solicitation and the source selection process.

2. Refer to Succeeding at Competition: Guide to Conducting Commercial Activities Studies to determine study team composition and individual roles and responsibilities.

3. Whenever possible, principal CA team members should be assigned on a full-time basis to minimize conflicts with their regular duties. If this is not possible, management should direct that team members' participation be a priority duty and not "an intrusion on their regular jobs." In that regard, study team members are responsible for fully contributing to the study process and carrying out their assignments between team meetings.

4. Activity commanders should arrange CA training for the team leader and other team members, as required, in conducting CA studies.

5. Some individuals selected to participate on the source selection board (SSB) are precluded from performing activities related to the management study or in-house cost estimate due to the potential for conflict of interest. Likewise, the Procurement Integrity Act (Title 41 U.S.C. 423) prohibits some Government officials from accepting compensation from a contractor for 1 year after they served in certain specific acquisition positions or made specific decisions in connection with the award or administration of a contract with a contractor. Refer all questions regarding the Procurement Integrity Act to the supporting OGC office.

C. Performance Work Statements

1. A well-prepared PWS is key to the successful completion of the cost comparison (standard or streamlined) or direct conversion. It is critical the PWS be sufficiently comprehensive to permit objective verification that in-house, ISSA, or contract performance satisfies Government requirements.

2. The PWS must be performance-oriented, specifying desired outputs or measures, and limiting directions as to how to achieve results while not, unnecessarily,

restricting private sector participation in the cost comparison. Since the PWS is the basis for determining the Most Efficient Organization (MEO), it must clearly identify all tasks to be accomplished. As changes in performance and staffing requirements occur during the solicitation process, it is essential that activities incorporate these changes within the PWS and MEO.

3. Navy activities will not develop a PWS unless adequate budgeted resources exist to accomplish the level of effort specified in the PWS. Activities must individually address additional funding, not meeting the criteria for expansion or new requirements, necessary to accommodate the level of effort contained in the PWS. Field activities unable to reallocate funding from within existing assets will:

- a. Revise the PWS to reflect affordable levels of effort, or
- b. Request additional funding via the chain of command

D. Quality Assurance Surveillance Plans.

A well-prepared Quality Assurance Surveillance Plan (QASP) is key to the successful inspection of contract, ISSA, or in-house performance. The QASP describes methods of inspection, performance metrics, required reports, and the needed resources, including estimated work hours, to verify quality. Although the QASP accompanies the PWS to the Independent Review Officer (IRO) to verify the cost comparison, it is not included as a part of the solicitation nor is it provided to private sector bidders or offerors.

E. Management Plans

1. The law requires the Navy to certify to Congress that the basis of the in-house cost portion of the cost comparison presents an estimate of the most efficient and cost-effective in-house organization needed to accomplish the workload described in the PWS. The activity commander or other appropriate commander (e.g., a regional commander) will certify studies crossing geographical or claimant boundaries (using the Activity Tentative Decision Report) to their chain of command and CNO (N4) and will report the completion of Independent Reviews to CNO (N4).

2. If the cost comparison decision is to continue in-house performance, activities will begin implementation of the proposed MEO within 30 days from the decision to continue in-house performance.

3. To verify the integrity of both the MEO and the cost comparison, activity commanders are responsible for implementing the Most Efficient Organization (MEO) that they certify. Activity commanders will certify, in writing, the in-house operation can perform the requirements established by the PWS and that actual staffing complies with the MEO. Also, activity commanders will certify their activities' compliance, in writing, one year after MEO implementation as part of their Post-MEO Performance Review.

4. Navy activities will establish procedures to verify in-house operations, as stated in the MEO, are capable of performing PWS workloads. These procedures will verify:

a. Resources (i.e., personnel, facilities, equipment, supplies, etc.) specified in the MEO and IHCE are available to the in-house operation

b. In-house performance is accomplished within the resource level specified in the MEO for the period of performance, unless documentation to support changes in workload/scope is available

5. Transition Plan

a. The Transition Plan (TP) is a written plan that enables the transition from the current organizational structure to MEO, contract, or ISSA performance. It is designed to minimize disruption and adverse impacts, and describes capitalization and start-up requirements.

b. The TP will include milestones that begin the implementation of conversion to MEO, contract, or ISSA within the first 30 days after a final cost comparison decision and end upon implementation of the MEO, contract, or ISSA. It must detail necessary personnel actions, personnel moves, appropriate training (including any required certifications), as well as non-personnel considerations such as materials and supplies, equipment, facilities, sub-contracts, leases, environmental issues, safety and security, etc. It must also consider factors related to MEO operation if conversion of military billets to civilian authorizations requires a large concerted civilian recruitment effort. This is especially important if the activity's location is away from a large metropolitan area or if the activity's MEO requires personnel with highly technical skills.

c. The TP will include an Economic Impact Statement. Prepare an examination of the potential economic impact of the performance of the function by the private sector if the reduction-in-force involves 75 or more activity civilian personnel. The statement must address DoD employees affected by such a change in performance and an assessment of the impact to the local economy and government.

d. Activities will notify CNO (N4) through the chain of command if TP milestones require extension.

F. Safeguarding the MEO.

Activities will not publicly disclose the contents of the management study or the in-house cost estimate and must safeguard the confidentiality of the in-house bid. Activities will mark the management study with "FOR OFFICIAL USE ONLY-- SENSITIVE IN NATURE." During the cost study process, activities will not release the management study to parties outside the immediate CA study team.

G. Solicitations

H. Methods of Procurement

1. All competitive methods of procurement authorized by the FAR are appropriate for cost comparison under OMB Circular A-76 and its Revised Supplemental Handbook (NOTAL).

2. In selecting the method of procurement and contract type, the contracting officer should analyze the PWS and apply the guidance contained in OFPP Policy Letter 91-2, Service Contracting, and FAR Part 16, Types of Contracts, as supplemented.

3. Technical Performance Plan

a. The Technical Performance Plan (TPP) represents the In-house operation's technical approach and states all needed resources to meet the requirements of the PWS. Activities should prepare the TPP in accordance with the requirements in the solicitation and include these requirements in the MEO. There may be some technical evaluation criteria that apply to the offerors that will not apply to the in-house TPP and the contracting officer will identify any non-applicable criteria.

b. The Source Selection Board will evaluate the Government's proposal using the TPP and assess whether or not the same level of performance will be achieved.

c. The TPP is a procurement sensitive document and is not releasable to the public until final cost comparison decision.

4. Cost Comparison and Best Value Evaluation of Offers

a. If the contracting officer elects to use the tradeoff process discussed in FAR 15.101-1, the Government will base contractor selection on both the qualitative aspects (e.g., experience, past performance, technical or management approach, etc.) and the quantitative aspects (e.g., price) of an offerors' proposal. This is the preferred competitive method for conducting most Navy competitions because it permits selection based on best overall value to the Navy and not just the lowest price.

b. To determine whether a function will be retained in-house or will be obtained by contract, the cost of the selected best value contractor's proposal will be compared, in accordance with the provisions governing cost comparisons, with the cost to perform the Government's MEO. To make this a fair comparison, the scope of work and performance level of both the best value proposal and the Government's proposal must be the same. Accordingly, it may be necessary to perform technical leveling (adjustment of the scope of work or the Government's technical performance plan) to match work contained in the proposal presented by the selected commercial offeror. After adjustment, the Government's proposal will be re-priced as necessary before being compared with that of the selected commercial offer.

c. This final stage of the CA process is both critical and necessary in conducting a cost comparison using the best value source selection process. Because of the complexity of using a best value source selection process for conducting a cost comparison, the contracting officer must control and coordinate all source selection activities. This is necessary to maintain the integrity of the process and assure retention of adequate documentation if the results are challenged.

I. The Independent Review

1. The Naval Audit Service (NAVAUDSVC) serves as the Independent Review Officer (IRO) for all cost comparisons of functions involving 41 or more announced Navy civilian positions. The NAVAUDSVC's role is to provide oversight of the IRO support contractor and to certify cost estimates. Specific guidance for conducting the Independent Review is contained in the Guide for Reviewing Cost Estimates Prepared Under the Commercial Activity Program. A sample letter to request IRO support is located at Deputy Chief of Naval Operations for Logistics Web site at www.n4.hq.navy.mil.

2. To meet the requirements of OMB Circular A-76, a qualified person, independent of the activity preparing the estimate, will review cost estimates for cost comparisons involving 40 or fewer positions. This reviewer can be an internal manager, a management analyst, or a financial specialist versed in CA study cost procedures. The reviewer may request specific technical assistance in applying guidance from the NAVAUDSVC.

3. Commands requiring NAVAUDSVC reviews will provide sufficient advance notice to the NAVAUDSVC at least 30 days prior to commencement of the Independent Review.

4. The IRO will certify in writing that the Navy's PWS, QASP, IHCE, MEO, TPP and TP comply with OMB Circular A-76. The IRO will follow the guidance contained in OMB Circular A-76.

5. Major claimants should be aware of differences in interpretation of cost comparison policy that may surface during the independent review. The CNO (N4) is the final arbitrator of all such differences.

6. Activities will provide auditors with all final documentation and electronic files before the actual site visit.

J. Evaluation of Bids and Tentative Decisions

1. Bid Opening/Announcement of Results

a. The OMB Circular A-76, Revised Supplemental Handbook (NOTAL) contains a complete description of the procedures for bid opening for sealed bid procurement and announcement of results for negotiated procurements.

b. If no bids/proposals are received, or are unacceptable in response to a small business or a small and disadvantaged business (8(a)) solicitation, the IHCE will remain unopened. Additionally, the contracting officer will examine the solicitation and ascertain why there were no responses. Depending on the results of this review, the contracting officer will restructure the solicitation, if feasible, and reissue it under small business set-aside or unrestricted solicitation procedures, as appropriate.

c. If no bids/proposals are received, or are unacceptable in response to an unrestricted solicitation, the activity will report this fact using the Activity Final Decision Report and immediately begin implementation of their MEO.

2. Corrections to In-House Estimate after Bid Opening/Announcement of Results

a. Periodically, CNO (N4) will publish updated inflation indices for use in cost comparison studies. Cost estimates should use inflation indices in effect at the time immediately prior to their Independent Review. Inflation indices issued after commencement of the Independent Review will not, in most instances, materially affect the outcome of the cost comparison; therefore, do not recalculate the IHCE prior to bid opening. If, after bid opening, it appears that application of the latest inflation indices will materially affect the outcome of the cost comparison, the major claimant will review the cost comparison and, if needed, recalculate the IHCE using inflation indices in effect at bid opening. In such instances, activities will apply new indices to the various cost elements at the largest aggregate level.

b. Activities will make all other computational corrections after bid opening if it appears that the change might materially affect the outcome of the cost comparison. Computational corrections may include changes in fringe benefit rates, annual work hours, etc. The major claimant will direct recalculation if needed.

c. Activities will notify the NAVAUDSVC IRO of all changes made.

K. Appeals of Tentative Waiver and Cost Comparison Decisions

1. Administrative Appeal Procedure

a. The Administrative Appeal Procedure exists only to resolve questions related to the cost comparison.

b. The responsible major claimant will verify appointment of an official to review any decision under appeal. This Administrative Appeal Officer will meet OMB Circular A-76 criteria and additionally, if military, be at the same or higher rank as the official who approved the management plan.

c. Actual physical receipt of the appeal must occur within 20 calendar days (or within a maximum of 30 calendar days if the action is deemed to be complex by the contracting officer) after the date that the supporting documentation is made available to all parties. The 20 to 30 calendar day period is the actual appeal period. At tentative decision announcement, the activity will identify all Government IHCE documentation required by potential appellants. Cost comparison documentation will include, at a minimum:

(1) The IHCE with its detailed supporting data

- (2) The completed cost comparison form
- (3) The name and price of the apparent successful offeror/bidder
- (4) The PWS and Management Plan
- (5) All supporting data used to formulate the government bid

d. The contracting officer and the commander responsible for the study must work together to complete the appeals process within the time allowed. Appellants will file all appeals with the responsible contracting officer. The appeal must be in writing and must contain specific objections with supporting information for each objection. All received appeals should be coordinated with the nearest OGC representative to determine their sufficiency and merit. At the close of the appeal period, the contracting officer will advise the apparent successful offeror/bidder or the affected Federal employees' representative, as appropriate, if there was receipt of a valid appeal. The commander will notify CNO (N4) and their appropriate chain of command addressees, by response, upon receipt of any appeals.

e. Within 2 working days of the end of the appeal period, the contracting officer will provide copies of all appeals to all directly affected parties. All directly affected parties may file comments addressing objections and facts specified in the appeals. This invitation for comments is not an additional appeal period and there will be no consideration of additional appeal issues. These comments must be in writing, must address specific objections to appeals raised by other interested parties and, to the extent possible, must contain supporting data. Appellants should file comments with the contracting officer within 3 working days of the end of the appeal period.

f. Due to the compressed schedule associated with the review process, the activity will provide the appeal officer with the working papers and other relevant information prior to or upon receipt of the first appeal. To facilitate a timely review, the activity should also forward copies of appeals and comments to the appeal officer as they are received rather than waiting until the end of the submission period. The appeal officer will independently and objectively review items raised by each appellant and render decisions based on the issues in question, within the context of this guidance and OMB Circular A-76. Activities will coordinate appeals of items requiring OPNAV approval with CNO (N4) to verify review and approval of any proposed adjustments. If discovery of a procedural or computational error occurs involving an un-appealed item during documentation review of an appeal, the discoverer will cite the error and its correction in the appeal decision. It is not the appeal officer's responsibility to re-audit

the entire cost comparison or to question the assumptions underlying the cost of each item not under appeal.

g. The appeal officer will submit a decision in writing, together with a copy of the appeal, to the appellants, the commander, the contracting officer, the apparent successful offeror/bidder, the representative of the affected Federal employees, and CNO (N4) via the chain of command within 30 calendar days of the conclusion of the appeal period. Appeal decisions are final and not subject to review. The commander and the contracting officer will retain a copy of the decision. The commander will make copies of the appeal decision available to all directly affected parties. The commander will then submit an Activity Final Decision Report to CNO (N4) incorporating any revisions necessitated by the appeal officer's decision.

h. Following the appeal officer's decision, the appeal officer, in coordination with the commander, will provide CNO (N4) and the NAVAUDSVC a summary of "lessons learned" together with any recommendations concerning issues raised during the appeal process.

2. Protests. Directly affected parties may file protests concerning the selection of the best private sector proposal with the contracting officer or the General Accounting Office. The ultimate responsibility for responding to a CA-related bid protest lies with the contracting office issuing the solicitation or requesting the proposals. Timely coordination of all documents and marshalling of all facts to support arguments advanced is the responsibility of the major claimant. The major claimant will appoint an official who will be responsible for developing and coordinating the claimant's position for all protests concerning claimant decisions. The time constraints associated with the protest process require expeditious action on the part of all concerned parties. Activities will coordinate all arguments advanced by the contracting office or claimant concerning interpretations of Navy CA policy with CNO (N4).

L. Post-MEO Performance Review

1. Activity commanders will perform a Post-MEO Performance Review for services performed in-house as a result of a cost comparison at the end of the first full year of performance. This review will establish the MEO's ability to perform the services specified in the PWS and confirm that costs are within the estimate of the cost comparison. This review should result in correction of minor cost or performance deficiencies to maintain the integrity of the cost comparison process. If the review reveals failure to implement the MEO according to transition and management plans that cannot be corrected, the claimant will recommend to CNO (N4) to initiate a new cost comparison study if award to the next participating offeror is not feasible.

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2. Claimants, after 1 full year of performance, will review not less than 20 percent of their activities' functions performed in-house as a result of cost comparisons completed in the prior year. Claimants will submit results of their Post-MEO Performance Reviews to CNO (N4) within 30 days of their completion.

Part II—Preparing the Cost Comparison Estimates

Chapter 1—Implementation Instructions

A. General.

Address requests for deviation from the following amplifying Navy requirements to CNO (N4). Requests should clearly indicate the special circumstances that require the change. The Navy cannot grant waivers or deviations from individual portions of the OMB Circular A-76 guidance or from the legal requirements listed in the appendix entitled Principal Statutes Governing CA. The Assistant Secretary of the Navy may waive the entire cost comparison as provided by OMB Circular A-76 provided the CA meets legal requirements as stated in the appendix entitled Principal Statutes Governing CA.

B. Organization

Chapter 2—Developing the Cost of Government Performance

A. General

1. Overview
2. Standard Cost Factors
3. Common Costs
4. Retained and Save Pay
5. Cost of Conducting a Cost Comparison
6. Proration of Performance Periods
7. In-House Costs
8. Minimum Cost Differentials

9. Rounding Rule

10. Inflation

11. Other ISSA Adjustments

B. Personnel (Line 1)

1. Military Billets. Activities will convert all military billets in the organization under study to civilian positions for the purpose of cost comparison unless the military positions will remain as a part of the MEO. Base the civilian grade level requirement on civilian grade standards and the nature of the performed work and not on any civilian-to-military grade relationship. If available, use advisory position classification guides for all proposed MEO positions. Actual position classification should include participation of HRSC/HRO personnel classification specialists in the assessment and development of MEO civilian grades and positions. Grade levels must be consistent with performance of the PWS.

2. Civilian Personnel. Express personnel requirements in full-time equivalent (FTE) workyears. When using productive hours as the basis for computing FTEs, use annual available hours for full-time positions and intermittent positions. Document the applied method in the management study when methods other than productive hours are used (i.e., manpower standards, staffing guides, prior experience, work measurement, etc.). Express salary/step for pay banded or demonstration project employees at the mid-grade or mid-band level.

3. Temporary Employees. Do not interpret the authority to make and extend temporary limited appointments as approval for costing the MEO positions as temporary if work described in the PWS is not of a temporary nature (i.e., work that is seasonal, variable, or of short duration). Cost work of a continuing and recurring nature as permanent positions although these positions may be encumbered with temporary employees at the time of PWS and MEO development.

4. Nonappropriated Fund Employees. Apply the following fringe benefit factors when computing the cost of NAF labor:

FRINGE BENEFIT	FULL TIME	PART TIME	INTERMITTENT
Retirement	7.65	7.65	7.65
Insurance/Health	8.7	6.2	0.0
Miscellaneous*	3.5	5.1	6.5

*This includes workman's compensation, bonuses/awards, and unemployment programs.

5. Service Contract Act/Davis Bacon Act: Commercial activities' contracts may require the application of the Service Contract Act (SCA) or the Davis-Bacon Act (DBA). Determine the applicability of either Act based upon historical records or projected work estimates. When SCA/DBA applies, the contracting officer must obtain the latest appropriate wage determination and place it in the solicitation package. Most standard wage rates can be obtained through DoD's WDOL system. For all other wage rates, use the procedure at FAR 22.10. If the solicitation is delayed by more than 60 days, the contracting officer must query the WDOL system to ensure that the solicitation contains the appropriate wage determinations. *DFARS 222.402-70*. When the nature of the work is clearly service related, the SCA will apply regardless of dollar value. Installation support services such as building maintenance, grounds maintenance, plant operations, custodial services, and snow removal may be subject to both the SCA and DBA. The DBA type work performed in conjunction with routine maintenance and with a cost of \$2,000 or less may be performed using SCA wage determinations. DBA work exceeding \$2,000 should be covered by a DBA wage determination. *Service Contract Act (Title 41 U.S.C. 351-358)*.

C. Material and Supply (Line 2)

D. Other Specifically Attributable (Line 3)

Contractor Use of Government Facilities and Equipment. Determine any decision to offer, or not to offer, Government property to a contractor by performing a cost benefit analysis to verify cost decisions are in the best interest of the Government. Involved or complex analyses are not required, particularly when the benefits of one option are relatively clear. Analyses should document the rationale for the decision.

1. Overview

2. Depreciation

3. Cost of Capital.

The cost of capital is a straight-line calculation through the life of the asset and is included for each year the asset is used in the cost comparison period of performance. The cost of capital is calculated by multiplying the nominal rate provided by OMB Circular A-94, Discount Rates to be Used in Evaluating Time-Distributed Costs and Benefits (NOTAL) for each year of the cost comparison. The inclusion of cost of capital should be exceptional.

4. Rent

5. Maintenance and Repair

6. Utilities

7. Insurance

8. Travel

9. MEO Subcontract Costs.

Purchased services (MEO subcontract costs) significantly augmenting current in-house work efforts and included in the PWS require special consideration. When these purchased services are long-term and contain labor costs subject to economic price adjustment clauses, do not escalate the applicable labor portion by future year inflation factors. Additionally, purchased services will be offset for Federal income tax revenue by applying the appropriate rate found in OMB Circular A-76, Revised Supplemental Handbook Part II, chapter 3, paragraph G (NOTAL). Identify and include the costs of contract administration associated with purchased services in the cost category. When incorporating subcontract costs into the MEO, activities will adjust the conversion differential when increasing or decreasing the current level of subcontract performance within the MEO. For example, when existing contract work is proposed to be converted to in-house performance in the MEO, the conversion differential (10 percent) applicable to in-house work is included in line 16 of the cost comparison worksheet. In addition, the conversion differential applicable to contract work is included in line 15 (Adjusted Total Cost of In-House Performance).

10. Other Costs

E. Overhead (Line 4)

F. Additional (Line 5)

G. Total Cost—In-House Performance (Line 6)

Chapter 3—Developing the Cost of Contract Performance

A. General.

Solicitations should specifically state the performance start date. Estimate the date for solicitations that do not specifically state the performance start date.

B. Contract Price (Line 7)

1. Overview
2. Contract Types
3. Tax Exempt Organizations
4. Procurement Preference Eligible Organizations

C. Contract Administration (Line 8)

1. The OMB Circular A-76, Revised Supplemental Handbook, Part II, Chapter 3 (NOTAL) establishes procedures to estimate the number of FTEs to administer a contract, however; the Circular is silent regarding the appropriate grade levels for costing these FTEs. Activities performing the cost comparison will make this grade level determination. Since grade levels performing these tasks will depend upon the technical nature and complexity of the contract review functions, activities should use past experience to determine grades. Activities should consult with local contracting offices and may use previous and current contracts as supporting documentation.

2. Determining contract administration positions for MEO subcontracts. Include the estimated number of contract employees when computing contract administration positions for an MEO that will continue using subcontracted activities. Do not include contract administration positions for MEO subcontracts:

a. When making existing contracts available to a prospective contractor or ISSA provider.

b. During resolicitation of existing MEO subcontracts that are part of a solicitation based on an "any or all" bid or offer where separate line item bids are required for the workloads performed by the in-house workforce and the MEO subcontracts.

D. Additional (Line 9)

E. One-Time Conversion (Line 10)

1. Overview.

2. Material Related Cost.

Excess Material. Upon conversion, if activities decide to transfer excess materials from the function under study to another Navy or Governmental use, state the original material cost less the cost of disposal or transfer. Since such actions would be taken when they would result in a net benefit to the Government, enter net gains as a negative cost of contracting. For costs associated with disposal/transfer of excess Government material, contact the nearest transportation shipping office to determine the applicable rates for packing, crating, handling (PCH) and transportation.

3. Labor Related Costs

a. Permanent Change of Station (PCS) Costs. The following policy applies to MEO positions:

(1) Inclusion of any civilian PCS costs must be fully documented in the cost comparison support file. Activities that anticipate more than 10 percent of affected personnel requiring PCS will contact CNO (N4) for further guidance. When requesting approval, provide the following:

(a) A discussion of the assumptions used in developing the estimated number of PCS moves and anticipated costs. Include an estimate of the number of employees that will participate in exercising their Right of First Refusal.

(b) A list of all DoD installations in the commuting area with a brief description of their employment opportunities. Provide information on the availability of positions available through the Priority Placement Program (PPP) for the appropriate region. If CNO (N4) approves inclusion of PCS costs based on a higher percentage of employees requiring PCS moves, and the competition results in contract award, the following information is required within 1 year after execution of the contract:

1. Number of employees enrolled in PPP
2. Number of employees transferring within the PPP program and not requiring a PCS move
3. Number of employees transferring within the PPP program requiring a PCS move

b. Security Clearances. A CA cost comparison involving employee access to classified materials will include the costs of the investigations required for the appropriate security clearances for contract personnel. The CNO (N4) will provide these costs via response to the CA address indicator groups (AIG) for use in cost comparisons. Since costs of clearances will presumably be the same for both Government and contractor in the out-years, costs are included only on a one-time basis. Use the number of personnel in the MEO to estimate the number of clearances required.

c. One-Time Inventory Costs. Inclusion of a one-time cost to perform an inventory prior to turnover of equipment, parts, and materials to contractors must be approved by CNO (N4) if the estimated cost to perform the inventory is greater than the product of the In-House Cost Estimate's line 1, Personnel, First full Year of Performance total cost multiplied by .005. Submit requests for approval via the chain of command and document the requirement for the one-time expenditure. Submit the following information together with any other information pertinent to the approval process:

(1) The rationale for the kind of inventory planned (i.e., 100 percent versus selected inventory of higher value items) and approximate number of items for inventory, breakdown by categories, and estimated value

(2) Dates and results of the most recent inventories

(3) An estimate of workhours and cost to perform the inventory

d. Unemployment Insurance. The OMB Circular A-76 provides guidance on the accrual of unemployment insurance. Specifically, unemployment insurance is included in the 1.7 percent (Part II, chapter 2, B6f(1)(c), Fringe Benefits or Federal Insurance Contribution Act (FICA) accrual of fringe benefits. Activities will not include additional estimated cost of unemployment insurance as a one-time conversion cost.

e. Separation Incentive Pay will not be included as a cost.

4. Other Costs

5. One-Time Cost Computation

F. Gain from the Disposal/Transfer of Assets (Line 11).

Gain or Loss on Disposal/Transfer of Assets. The estimated disposal value minus the disposal/transfer cost will result in a net disposal value. Enter this as a gain that decreases the cost of contracting. If there is no realization of net gain, it is more cost effective to furnish the asset to the contractor; therefore, do not enter a net loss in the cost comparison. Disposal value estimates are available in OMB Circular A-76, Revised Supplemental Handbook, Appendix 3 (NOTAL). The estimated disposal value will be the net book value in the absence of precise values. The property disposal officer or other knowledgeable authority should make and/or confirm disposal value estimates. Contact the nearest transportation/shipping office to determine the applicable rates for packing, crating and handling (PCH) and transportation.

G. Federal Income Tax (Line 12)

H. Total Cost—Contract Performance (Line 13)

Chapter 4—Calculating the Cost Comparison Decision

A. Conversion Differential (Line 14)

B. Adjusted Total In-house Cost (Line 15)

C. Adjusted Total Contract Cost (Line 16)

D. The Cost Comparison Decision (Lines 17/18)

Chapter 5—Streamlined Cost Comparisons for Activities with 65 FTE or Less

A. General

1. Section 8014 of the FY 99 Defense Appropriations Act (the following which has been repeated for more than a decade) states "None of the funds appropriated by this Act shall be available to convert to contractor performance an activity or function of the Department of Defense that, on or after the date of enactment of this Act, is performed by more than 10 Department of Defense civilian employees until a most efficient and cost-effective organization analysis is completed on such activity or function and certification of the analysis is made to the Committees on Appropriations of the House of Representatives and the Senate: *Provided*, That this section and subsections (a), (b), and (c) of 10 U.S.C. 2461 shall not apply to a commercial or industrial type function of the Department of Defense that: (1) is included on the procurement list established pursuant to section 2 of the Act of June 25, 1938 (41 U.S.C. 47), popularly referred to as the Javits-Wagner-O'Day Act; (2) is planned to be converted to performance by a qualified nonprofit agency for the blind or by a qualified nonprofit agency for other severely handicapped individuals in accordance with that Act; or (3) is planned to be converted to performance by a qualified firm under 51 per centum Native American ownership."

2. While the OMB Circular permits certification of an MEO for an activity containing 65 FTE or less without conducting a formal cost comparison, the law requires Navy activities to formulate an MEO for cost comparison with the private sector for any activity containing 11 or more FTE. Formulating a small MEO should not require extensive study and could be very similar to the existing organization.

B. Procedure.

Refer to SUCCEEDING AT COMPETITION: Guide to Conducting Commercial Activities Studies, appendix A for procedures to conduct an A-76 Streamlined Cost Comparison.

Appendix A--Definition of Terms and Acronyms

Acquisition Plan (AP). The AP addresses the technical, business, management, and other significant considerations that will control acquisition.

Activity. A unit, organization, or installation performing a function or mission.

Administrative Appeal Authority. An individual who is independent of the activity under review or at least two organizational levels above the individual certifying the MEO. This individual adjudicates appeals then reviews appeals to verify that all costs are properly accounted for in accordance with this instruction, and verifies eligible appellants have full and equal access to the cost comparison decision process.

Affected Civilian Employees. Navy civilian employees who may be adversely impacted by a tentative cost comparison decision. Affected civilian employees include those in the function converted to contract or MEO and civilian employees outside the function but in the competitive area of the cost comparison.

Bid Opening. For a sealed bid procurement, bid opening is the date and time established to open, read aloud, and display the bids received in response to an Invitation For Bids. For a negotiated procurement action, the term is solicitation closing date which is the time set in the Request for Proposals by which all proposals must be received.

Commander/Activity Commander. Usually, the commanding officer or head of an activity that has budget and supervisory control over resources and personnel. In some cases, due to overlapping authority and responsibility or the need to defer decision authority to a higher level, the term may include a commander of a regional activity, the commander of a major claimancy, or a senior level activity commander.

Commercial Activity (CA). An activity that provides a product or service obtained (or obtainable) from a commercial source. A Navy commercial activity is not an Inherently Governmental function. A Navy commercial activity may be an organization or part of an organization. It must perform a type of work that is separable from other functions or activities so that it is suitable for performance by contract. A representative list of the functions performed by such activities may be found in OMB Circular A-76, Revised Supplemental Handbook, enclosure 3 (NOTAL). A Navy commercial activity falls into one of the following two categories:

1. In-House Commercial Activity. A Navy CA operated by a Navy activity with Navy personnel.

2. Contract Commercial Activity. A Navy commercial activity managed by a Navy activity operated with contractor personnel or by a non-DoD Federal agency (i.e., ISSA). Commercial Activities Inventory. A listing of all in-house and contracted commercial activities and their associated FTEs.

Commercial Activities Management Information System (CAMIS). The automated system used to track, collect, and maintain data for cost comparisons and direct conversions. The CAMIS is required for compliance with Title 10 U.S.C. 2463, Executive Order 12615, Performance of Commercial Activities, OMB Circular A-76, and DODI 4100.33, 9 September 1985 (NOTAL).

Commercial Source. A commercial source is any business or other concern that is eligible for contract award in accordance with Federal Acquisition Regulations.

Conditional Contract Award. A contract award made upon the initial decision in a cost comparison involving a negotiated acquisition. Contractor performance is conditioned on the contractor's proposal continuing to be deemed the most advantageous offer after completion of the Administrative Appeal process.

Contract Administration. Contract administration includes those inherently governmental activities performed by warranted contracting officers (CO), the contracting officer's technical representatives (COTR), and related payment evaluation staff. Contract administration is not to be confused with contract quality control and performance evaluation or inspection which are defined as commercial activities by OMB Circular A-76, Revised Supplemental Handbook and Office of Federal Procurement Policy (OFPP) Policy Letter 92-1 (NOTAL).

Contract Award Date. The date the contract is awarded by the Government.

Contract Start Date. The date work is scheduled to begin under contract performance.

Contracting Officer. A contracting officer is the only person with the authority to create, modify, or terminate a contract.

Conversion Differential. The conversion differential is the minimum gained savings projected before converting from one method of operation to another. The differential reflects the unpredictable costs inherent in changing the status quo. These include such costs as retained pay and the temporary loss of productivity associated with a conversion. The conversion differential is the lesser of 10 percent of government personnel costs or \$10 million over the performance period.

Conversion to Contract. The changeover of a commercial activity from performance by Navy personnel to performance under contract by a commercial source.

Conversion to In-House. The changeover of a commercial activity from performance under contract by a commercial source to performance by Navy personnel.

Conversion to ISSA. The changeover of a commercial activity from performance by Navy personnel to performance by a non-DoD Federal agency.

Cost Comparison. A cost comparison is the formal process comparing the estimated cost of Government performance to the cost of performance by a contractor or ISSA provider.

Current Organization. The state of the organization as it exists at the beginning of the study, including staffing, organization, facilities, equipment, and any conditions that affect efficient operation.

Department of Labor Wage Determination. A Department of Labor determination on the minimum wages and fringe benefits to be paid by the contractor for certain skills in a particular geographic area.

Direct Combat Support Function. Work that is essential to the support of combat operations and if not performed could cause immediate impairment to combat capability.

Direct Conversion. The act of converting an activity to or from an in-house, contract, or Interservice Support Agreement (ISSA) performance without first conducting a cost comparison.

Economic Impact Statement. A statement as to the economic impact to the community resulting from conversion. If more than 75 employees of all categories (military, civilian,

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permanent, temporary, etc.) are affected by conversion, activities will assess the economic impact on the local community and the Federal Government. Activities must address economic impact after bid opening and after contract costs are known. Activities will address the following items in the economic impact statement (*Title 10 U.S.C. 2461*):

1. Total population of the affected community
2. Change in business volume of the affected community
3. Change in total personal income of the affected community
4. Change in total employment of the affected community
5. Impact on tax base of the affected community

Expansion. An expansion is the modernization, replacement, upgrading, or the enlargement of an in-house commercial activity or capability. If the expansion involves a 30-percent increase in the operating cost of the activity, a 30-percent increase in the total capital investment to perform the activity or an increase of 65 FTE or more, a cost comparison is required prior to authorizing in-house performance. A consolidation of two or more existing commercial activities is not an expansion, unless the total operating cost is 30 percent greater than the total of the individual components or it requires an increase of 65 FTE or more. The above definition notwithstanding, pursuant to OMB Circular A-126 all aircraft purchase decisions should be justified through formal cost comparison, as provided by the OMB Circular A-76, Revised Supplemental Handbook (NOTAL).

Federal Acquisition Regulation (FAR). The FAR provides contracting policy for the Federal Government. The FAR is the primary regulation for use by all Executive Agencies in their acquisition of supplies and services.

Final Cost Comparison Decision. This is a decision resulting from a comparison of costs between the Government and private sector bids or offers made after the public review period and Administrative Appeal Period have been completed.

Full-Time Equivalent (FTE). For full and part time civil servants, calculate total hours required by skill and divide by 1,776 to determine FTE. For intermittent positions, divide by 2,007.

Function. The appropriate or assigned duties, responsibilities, missions, or tasks of an individual, office, or organization.

Independent Review. The independent review substantiates the currency, reasonableness, accuracy, and completeness of all cost, and cost information, prior to cost comparison. This includes verifying the PWS is the basis for the in-house cost estimate as presented in the solicitation and verifying the sufficiency of the QASP, TPP, TP, MEO, and IHCE and their conformance to OMB Circular A-76, Revised Supplemental Handbook (NOTAL).

Independent Review Officer (IRO). The Navy official who reviews and certifies the cost comparison has been prepared in accordance with this instruction.

Inherently Governmental Activity. An activity that is so intimately related to public interest as to mandate performance by Government personnel. These activities require the exercise of discretion in applying Government authority, the use of value judgment in making decisions on behalf of the Government, or obligation of funds and entitlements.

Invitation for Bid (IFB). The request to potential offerors for bids in a sealed bid acquisition.

Interservice Support Agreement (ISSA). An agreement between Federal agencies. For purposes of this instruction, DoD is defined as an agency (i.e., individual DoD components and Services are considered one agency).

Joint Interservice Regional Support Group (JIRSG). The JIRSG coordinators facilitate communication and cooperation among area commanders, directors, and activity representatives with similar interests or responsibilities. Coordinators evaluate proposed ideas for cooperative ventures and facilitate implementation of ideas approved by participating activities.

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Management Plan. The Management Plan documents the changes that will result in the MEO to perform a CA in-house. It provides the staffing patterns and operating procedures that serve as a baseline for in-house cost estimates.

Market Analysis. An analysis of at least three comparable contracts, performed by the contracting officer, to determine an estimated range of contract prices. It is also used to determine if commercial sources exist and to determine if an exercised contract option will result in fair and reasonable prices.

Most Efficient Organization (MEO). The Government's in-house organization deemed to be the most efficient to perform the work specified in the PWS.

Multi-Function Study. A study that includes more than one CA Function Code or more than one geographic location.

Negotiated Acquisition. A type of acquisition strategy where contractors submit offers in response to a request for proposals, followed by negotiations with contractors prior to conducting the cost comparison.

Navy Civilian Employee. A U.S. direct hire civilian employee of the Department of the Navy.

Navy Personnel. Refers to both military and civilian personnel of the Department of the Navy.

New Requirement. A newly established need for a commercial product or service. A new requirement does not include interim in-house operation of essential services pending re-acquisition of the services prompted by such action as the termination of an existing contract operation.

Nonappropriated Fund Instrumentality (NAFI). An integral DoD organizational entity that performs a government function. It acts in its own name to provide or assist DoD Components in providing morale, welfare, and recreational programs for military personnel and authorized civilians. It is established and maintained individually or jointly by the heads of the DoD Components. As a fiscal entity, it maintains custody of and control over its nonappropriated funds. It is also responsible for the reasonable care to administer, prudently safeguard, preserve, and maintain those appropriated fund resources made available to carry out its function. With its nonappropriated funds, it

contributes to the morale, welfare, and recreational programs of other authorized organizational entities. It is not incorporated under the law of any state or the District of Columbia, and it enjoys the legal status of an instrumentality of the United States.

Offer. A contractor's proposal used for pricing a contract or contract modification in negotiated acquisitions.

Overhead. Overhead is included in the in-house cost estimate and is defined as costs that are not 100 percent attributable to the activity being cost compared but are generally associated with the recurring management or support of the activity. Overhead includes functions such as human resources, resource management, legal, procurement, etc.

Performance Work Statement (PWS). A document that accurately describes the essential and technical requirements for services and materials. The PWS complies with the FAR, establishes the scope of work, and is the basis for all costs entered on the cost comparison form. Upon award, it becomes part of the contract.

Post-MEO Performance Review. A Post-MEO Performance Review confirms that implementation of the MEO is in accordance with the Transition Plan and the MEO is operating within cost.

Preferential Procurement Program. These are special commercial source programs such as Federal Prison Industries and the workshops administered by the Committee for Purchase from the Blind and Other Severely Handicapped under the Javits-Wagner-O'Day Act.

Privatization. The process of changing a Navy activity to private control or ownership. It does not include determination as to whether a support service should be obtained through public or private resources when the Government retains full responsibility and control over the delivery of those services.

Procurement Integrity Act. The Procurement Integrity Act (Title 41 U.S.C. 423) generally establishes prohibitions, restrictions, and requirements relative to disclosing or obtaining procurement information, reporting employment contacts, and post-government employment.

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Proposal. An offer used for awarding a contract or contract modification in negotiated acquisitions.

Proposed Organization. A detailed description of the MEO, including staffing, organization chart, operating procedures, facilities, equipment, supplies, etc.

Quality Assurance Evaluator (QAE). A QAE inspects and certifies contractor performance to the contracting officer.

Quality Assurance Surveillance Plan (QASP). A document containing sampling guides, checklists, and decision tables used for contractor or MEO quality assurance surveillance.

Regionalization. The consolidation/realignment of functions/positions either geographically or organizationally to streamline and achieve savings through the elimination of duplicative positions.

Reporting Component. A shore-based organization that has been assigned a Unit Identification Code (UIC) except for military units subject to deployment in a combat or combat support role.

Request for Proposal (RFP). The request to potential offerors for offers using the negotiated acquisition process.

Right of First Refusal. The right provided to civilian employees, including term employees, permanent NAF employees and term NAF employees adversely affected by the cost comparison (standard or streamlined) or direct conversion. The "Right of First Refusal" clause is contained in FAR 52.107-3.

Sealed Bid Acquisition. A type of acquisition strategy where contractors submit bids in response to an invitation for bids and no negotiations are conducted with contractors prior to conducting the cost comparison.

Separable or Severable Function or Activity. Work in an in-house activity that can be separated or severed from the rest of the activity or function in a manner that will (1) preclude creation of a personal services contract or (2) permit performance by either a contractor or MEO in accordance with a PWS.

Service Contract Act. A law established to set service contract minimum wages for skilled labor in service contracts performed on Government installations. *Title 41 U.S.C. 351-358*

Single-Function Study. A study that includes only one CA Function Code at only one geographic location.

Standard Cost Comparison. A standard formalized OMB process where Navy activities define minimum requirements to compete a commercial activity. After issuance of a solicitation in accordance with the FAR, cost comparison between the private sector (contractors) and public sector (Navy) takes place. The basis for the Government bid is the MEO. A standard cost comparison may be performed on any size CA.

Streamlined Cost Comparison. The process of determining whether a commercial activity should be performed by in-house personnel, by contract, or through ISSA in accordance with OMB Circular A-76, Revised Supplemental Handbook, Part II, Chapter 5 (NOTAL).

Study/CA Study. Term used to describe the entire process of conducting a cost comparison in accordance with OMB Circular A-76, including developing the PWS and QASP, determining the MEO, developing the cost of the MEO, issuing an RFP, comparing the cost of in-house performance to the cost of contractor performance, and conducting the Administrative Appeal process.

Technical Leveling. Adjustment of the PWS scope of work and/or the Government's Technical Performance Plan to achieve the same level of performance and performance quality between the Government and bidders.

Technical Performance Plan (TPP). A TPP represents the technical approach and expended resources by the Government in meeting the requirements of the PWS. It is prepared in accordance with the requirements specified in the solicitation and depicts the requirements specified in the MEO.

Transition Plan (TP). A written plan for the transition from the current organizational structure to MEO, contract, or ISSA performance designed to minimize disruption and preclude adverse impacts and establish capitalization and start-up requirements. The TP verifies the MEO, contract, or ISSA implementation will begin within the first 30 days after a final cost comparison decision.

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Acronyms

AP
Acquisition Plan

CA
Commercial Activity/Activities

CAMIS
Commercial Activities Management
Information System

CBD
Commerce Business Daily

CCF
Cost Comparison Form

COR
Contracting Officer's Representative

DBA
Davis-Bacon Act

DFARS
Defense Federal Acquisition Regulation
Supplement

DORS
Defense Outplacement Referral Service

FAR
Federal Acquisition Regulation

FTE
Full-time Equivalent

IFB
Invitation for Bid

IHCE
In-House Cost Estimate

IRO
Independent Review Officer

ISSA
Interservice Support Agreement

JWOD
Javits-Wagner-O'Day Act

MEO
Most Efficient Organization

NAF
Non-appropriated Fund

NAFI
Non-appropriated Fund Instrumentality

NIB
National Industries for the Blind

NISH
National Industries for the Severely
Handicapped

OMB
Office of Management and Budget

POA&M
Plan of Action and Milestones

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POM
Program Objective Memorandum

TP
Transition Plan

PPP
Priority Placement Program

TPP
Technical Performance Plan

PR
Program Review

U.S.C.
United States Code

PWS
Performance Work Statement

QAE
Quality Assurance Evaluator

QASP
Quality Assurance Surveillance Plan

RFP
Request for Proposals

RIF
Reduction in Force

ROFR
Right of First Refusal

SCA
Service Contract Act

SSA
Source Selection Authority

TFMMS
Total Force Manpower Management
System

Appendix B—Mandatory/Advisory Publications and Internet Resources

Commercial Activities

NUMBER/ PROPONENT	TITLE	DATE	M/A*	World Wide Web Address http://
Navy	Succeeding at Competition	14 Jan 97	A	www.fac131.navfac.navy.mil/csso
Navy	Business Unit Definition and Analysis Guide	31 Dec 97	A	www.fac131.navfac.navy.mil/csso
Navy	Guide for Reviewing Cost Estimates Prepared Under the Commercial Activities Program	28 Feb 97	A	www.fac131.navfac.navy.mil/csso
Navy	Guide to Preparing the Technical Performance Plan	1 Aug 97	A	www.fac131.navfac.navy.mil/csso
Navy	Guide For Conducting 10 and Under Study	2 Jan 98	A	www.fac131.navfac.navy.mil/csso
Navy	SECNAVINST 12351.5E, Approval and Notification of Civilian Reduction-in-Force, Transfer of Function, and Furlough Actions	4 Mar 93	M	neds.nebt.daps.mil/
Navy	OPNAVINST 4000.84B, Interservice and Intergovernmental Support Program	14 Nov 96	M	neds.nebt.daps.mil/
OMB	Circular A-76, Performance of Commercial Activities	4 Aug 83	M	www.whitehouse.gov.omb/
OMB	Circular A-76 Revised Supplemental Handbook	Mar 96	M	www.whitehouse.gov.omb/
DODI 4100.19	Interservice and Intergovernmental Support	9 Aug 95	M	web7.whs.osd.mil/
DODI 4100.33	Commercial Activities Program Procedures	9 Sep 85	M	web7.whs.osd.mil/
DODD 4100.15	Commercial Activities Program	10 Mar 89	M	web7.whs.osd.mil/
GSA	Federal Acquisition Regulation	N/A	M	www.arnet.gov/References/
DOD	Defense Federal Acquisition Regulation Supplement	N/A	M	www.acq.osd.mil/dp/dars/dfars.html
Navy	Navy Acquisition Procedures Supplement (NAPS)	N/A	M	www.acq-ref.navy.mil
OFPP 91-2	Service Contracting	9 Apr 91	M	www.arnet.gov/References/
OFPP 92-1	Inherently Governmental Functions	23 Sep 92	M	www.arnet.gov/References/
Navy	OPNAV N4 Logistics			www.n4.hq.navy.mil
Navy	SSO			www.fac131.navfac.navy.mil/csso
Navy	Navy Personnel Command			www.bupers.navy.mil
Navy	Acquisition Reform Office			www.acq-ref.navy.mil
Navy	NAVAUDSVC			www.hq.navy.mil/navalaudit
DOL	DOL Wage Rates			www.ceals.usace.army.mil
Military Rates	DoD Comptroller			www.dtic.mil/comptroller/rates/

M-Mandatory, A-Advisory

Note. In the event these addresses change, please use an Internet search engine to locate them.

Appendix C--Reporting Requirements

Public law, Acts of Congress, OMB Circular A-76, and DoD regulations require various CA reports. Claimants are responsible for entering their activities' data into the Commercial Activities Management Information System (CAMIS) to allow CNO (N4) to manage and communicate required A-76 data to Congress. Claimants may submit the Activity Tentative Decision Report and the Activity Final Decision Report for Full Cost Comparison and Simplified Cost Comparison and the Activity Final Decision Summary report for Direct Conversion using e-mail, fax, or Navy message. *Title 10 U.S.C. 2463*

1. Commercial Activities Reporting--Full Cost Comparison and Simplified Cost Comparison

a. Initial and Quarterly Plan of Action & Milestones (POA&M)

(1) Following announcement of a CA study, activities will establish, in concert with their chain of command and local contracting office, a POA&M to complete each CA cost comparison. Milestones tracked by CNO (N4) for each study are:

- (a) The PWS and QASP target completion date
- (b) Expected contract solicitation date
- (c) Management Plan completion date
- (d) Independent Review start date
- (e) Receipt of proposals date
- (f) Tentative Decision date
- (g) Contract or MEO start date

The PWS and QASP target completion date is the anticipated date that the contracting officer has affirmed that both the PWS is a contractible document and the QASP is complete. The tentative decision date is the proposed date of bid opening for sealed bid procurements or the anticipated date the selected offeror's price will be compared with the government estimate for negotiated procurements. Activities must provide the dates for all of these items, via the chain of command, to CNO (N4) within 60 days of notification of approval to conduct a cost comparison. The CNO (N4) will assign a control number that activities must cite in all correspondence concerning each study.

(2) Quarterly, activities will provide their chain of command an update of changes to the approved milestone dates. Activities must justify any schedule slippage.

(3) Activities must separately request cancellation or deferment of announced studies in writing to CNO (N4) via their chain of command.

b. Activity Solicitation Report

(1) Activities will submit an Activity Solicitation Report within 10 working days of the date of solicitation issuance to CNO (N4) with information copies to the chain of command. The subject line of this report will identify function title, function code, and Navy control number. For ease of understanding by all addressees, the report should list the title of the reported element followed by the required information (e.g., "Date Solicitation Issued: 01011999").

(2) Activities will report information in the format and sequence shown below:

(a) Date PWS completed: (mmddyyyy). Date the PWS is affirmed as a contractible document by the contracting office.

(b) Actual Solicitation Date: (mmddyyyy). Date the solicitation is issued by contracting officer.

(c) Solicitation Type Code: Type of solicitation used to obtain bid or offers:

B - Best Value
N - Negotiated
S - Sealed Bid

(d) Solicitation Kind Code: Indicate whether the competition for the contract has been limited to a specific class of bidders. Furnish the following information with appropriate codes.

A - Restrict to Small Business
B - Small Business Administration 8(a) set aside
C - Javits-Wagner-O'Day Act (JWOD) (Title 41 U.S.C. Sections 46-48c, reference (o))
D - Other mandatory sources
U - Unrestricted
W - Unrestricted after initial restriction

(e) Number of personnel authorized at the activity to perform the work described in the PWS when the solicitation is issued. This number refines the initial assigned estimate reported in the review process prior to study announcement. The term "authorized" refers to funded authorized military and civilian positions and not on-board counts.

Current Number of Authorized Civilians: (not MEO)
Current Number of Authorized Military: (not MEO)

(f) Number of actual workyears it has taken to perform the work described by the PWS during the 12 months prior to issuance of the solicitation. Military workyears include assigned, borrowed, diverted, and detailed personnel. Round down less than one half year of effort. Round up one half year or more effort. Do not include contractor requirements. These workyear numbers establish the baseline for determining the personnel savings identified by the management study.

Baseline Workyears, Civilian:
Baseline Workyears, Military:

c. Activity Tentative Decision Summary Report

This response reports the tentative result of the cost comparison and will be submitted within 3 working days of the initial decision announcement. This requirement allows CNO (N4) to prepare required Congressional notifications. To expedite reporting, claimants have authority to provide their activity's CAMIS data via the following reports to CNO (N4) either in writing or electronically, using e-mail, fax, or Navy message. Subject line of this response will identify function title, function code, and Navy control number. Provide a response for each line item; if "not applicable" is appropriate, enter "N/A." For ease of understanding by all addressees, the response should list the title of the reported element followed by the required information (e.g., "a. Decision Code: I.").

(1) If a small business 8(a) solicitation does not result in any bids/offers, review the solicitation and restructure or reissue it on an unrestricted basis. If a solicitation does not elicit any bids or offers, do not report any information concerning the MEO and the cost of the Government's bid. Activities must submit a response noting a change in the "solicitation kind code" of the preceding solicitation response to "W - Unrestricted after initial solicitation." No further report is required until the unrestricted solicitation results in a tentative decision.

(2) Report the following information in the format shown below:

(a) Decision Code: I - In-house
C - Contract
S - ISSA

(b) Rationale Code: C - Cost
N - No Satisfactory Commercial Source
O - Other

(c) Cost Comparison/Initial Decision Date: (mmddyyyy). This is the date of initial announced decision. The basis for the initial decision is the apparent low bid/offer and is subject to pre-award surveys and resolution of all appeals and protests.

(d) Number of bids or offers received: This is the number of commercial bids or proposals received by the contracting officer in response to solicitation. (Enter "N/A" if no bids/offers received.)

(e) Number of civilian positions required to perform MEO:

(f) Number of positions required for contract administration used in computing costs of line 8 of Cost Comparison Form (CCF):

(g) Disposition of civilian positions identified in MEO if contract award occurs: (If tentative result favors in-house performance, enter "N/A.")

(1) Estimated number of permanent employees reassigned to equivalent grade positions:

(2) Estimated number of permanent employees changed to lower grade positions:

(3) Estimated number of employees taking early retirement:

(4) Estimated number of employees taking normal retirement:

(5) Estimated number of permanent employees separated:

(6) Estimated number of temporary employees separated:

(7) Estimated number of employees entitled to severance pay:

(8) Estimated total dollar amount of severance entitlements:

(9) Estimated number of employees that will be hired by the contractor or ISSA provider:

NOTE: Do not include anticipated adjustments resulting from reduction in force (RIF) bumping and retreating. The sum of lines (1) through (6) above should not exceed the number of positions in the original organization.

NOTE: Lines (h) through (l) are totals over all performances period.

(h) Government (MEO) costs: (from line 6 of CCF)

(i) Original cost of function: Estimated total cost of the function before the development of the MEO, shown in thousands of dollars, rounded to the nearest thousand. Since most organizations are labor intensive, an adequate estimate for this purpose can be developed by adding the cost of the difference in number of personnel between the MEO and the pre-MEO organization to line h, above. Use a more detailed estimate if it is available--In either case use the more accurate estimate.

(j) Bid/offer costs: (from line 7 of CCF)

(k) Cost incurred by contracting: Contract administration and other costs of contracting (subtract CCF line 7 from line 13)

(l) Minimum cost differential: (from line 14 of CCF)

(m) Name of company submitting low bid:

(n) Location of company submitting low bid:

(o) Economic Impact Statement: Prepare an examination of the potential economic impact of the performance of the function by the private sector if the reduction-in-force involves 75 or more activity civilian personnel. The statement will address DoD employees affected by such a change in performance and must assess the impact to the local economy and government.

(p) Impact upon military mission: If none, so state.

(q) "I certify that this cost comparison is based on the most efficient organization. /s/ Commanding Officer"

(r) Activity point of contact: Name and telephone number.

d. Activity Final Decision Summary Report

(1) Activities will submit this response reporting the final decision of the cost comparison within 3 working days after completion of the administrative appeal period, pre-award survey, and any other determination affecting final outcome of the decision. To expedite reporting, claimants have authority to provide their activity's CAMIS data via the following reports to CNO (N4) either in writing or electronically, using e-mail, fax, or Navy message. Subject line of response will identify function title, function code, and Navy control number. Provide a response for each line item. For ease of understanding by all addressees, the response should list the title of the reported element followed by the required information (e.g., "a. Decision Code: I."). If "not applicable" is appropriate, enter "N/A." Report the following information in the format shown below:

(a) Decision Code: I - In-house
C - Contract
S - ISSA

(b) Rationale Code: C - Cost
N - No Satisfactory Commercial Source
O - Other

(c) First Performance Period. Length of time expressed in months covered by the first period of performance used in the cost comparison. Do not include any option periods.

(d) Cost Comparison Period. Total period of performance used in the cost comparison expressed in months.

(e) Contract, MEO, or ISSA Start Date: (mmddyyyy). The planned date

(f) For contract decisions, indicate disposition of civilian positions identified in the MEO only if numbers vary from those reported in tentative decision summary response:

(1) Estimated number of permanent employees reassigned to equivalent grade positions:

(2) Estimated number of permanent employees changed to lower grade

positions:

(3) Estimated number of employees taking early retirement:

(4) Estimated number of employees taking normal retirement:

(5) Estimated number of permanent employees separated:

(6) Estimated number of temporary employees separated:

(7) Estimated number of employees entitled to severance pay:

(8) Estimated total dollar amount of severance entitlements:

(9) Estimated number of employees that will be hired by the by the contractor or ISSA provider:

NOTE: Do not include anticipated adjustments resulting from reduction in force (RIF) bumping and retreating. The sum of lines (1) through (6) above should not exceed the number of positions in the original organization.

NOTE: Lines (g) through (k) are totals over all performance periods.

(g) Government costs: (from line 6 of CCF). Enter only if the appeal process resulted in change to previously reported data.

(h) Original cost of function: Estimated total cost of the function before the development of the MEO, shown in thousands of dollars, rounded to the nearest thousand. Since most organizations are labor intensive, an adequate estimate for this purpose can be developed by adding the cost of the personnel difference between the MEO and the pre-MEO organization to line h, above. If a more detailed estimate is available use it--In either case use the more accurate estimate.

(i) Bid/offeror costs: (from line 7 of CCF). Enter only if the appeal process resulted in a change to previously reported data.

(j) Costs incurred by contracting: Contract administration and other costs of contracting (subtract line 7 from line 13 of CCF). Enter only if the appeal process resulted in a change to previously reported data.

(k) Minimum cost differential: (from line 14 of CCF). Enter only if appeal process resulted in a change to previously reported data.

(l) Name of company submitting low bid: (If different than previously reported)

(m) Location of company submitting low bid: (If different than previously reported).

(n) Indicate contractor size:

S - Small or disadvantaged business

L - Large business

(o) Administrative Appeal:

(1) Were administrative appeals filed?

Y - Yes

N - No

(2) Who filed the appeal?

I - In-house

C - Contractor

B - Both

(3) Result - Did appeal reverse initial decision? (Explain if both appeal.)

Y - Yes

P - Still in progress

N - No

(p) General Accounting Office (GAO) protest:

(1) Was protest to GAO filed?

Y - Yes

N - No

(2) Who filed the protest?

I - In-house
C - Contractor
B - Both

(3) Was protest upheld? (Explain if both protest)

Y - Yes
P - Still in progress
N - No

(q) Arbitration:

(1) Was arbitration requested?

Y - Yes
N - No

(2) Was the case found arbitrable? (Provide brief explanation)

Y - Yes
P - Still in progress
N - No

(r) Contract Administration Personnel: Report the actual number of personnel who administer the contract.

(s) Contract Type: Enter only if decision is to award to a contractor. Enter one of the following codes for the first character to classify the contract as either predominately fixed price or predominately cost reimbursable:

A Predominately Firm Fixed Price
D Predominately Cost Reimbursable

Enter one of the following codes for the second character:

I Indefinite Delivery/Indefinite Quantity
O Other

(t) MEO Workyears: Enter the number of annual workyears it takes to perform the work described in the PWS after the MEO study has been conducted. This entry must equal the number of annual workyears in the in-house bid.

(2) The CNO (N4) will authorize cancellation of the solicitation and continued in-house performance, contract award in the case of the sealed bid solicitation, and commencement of contract performance in the case of a negotiated solicitation by return response after issuing all the appropriate congressional announcements. No additional documentation or approvals are required if the action involves fewer than 75 civilian employees. If the action involves the separation of 75 or more civilian employees, activities will forward the Fact and Justification Sheet for Actions Requiring ASN(M&RA) Approval directly to the applicable approving authority as outlined in SECNAVINST 12351.5E (NOTAL) with a simultaneous copy to CNO (N4). Since, in most CA conversions, contract employees will continue to perform the converted function in the same geographic area, the economic impact upon the geographic area will usually be minimal. If activities cannot calculate precise numbers for this report, they should submit an estimate.

e. Activity Post Conversion Report

(1) If the function is contracted, submit this report and a copy of the completed cost comparison format, revised to show any changes resulting from appeal decision, not later than 90 days after contract start date to CNO (N4) with information copies to the chain of command. Subject line of the report will identify function title, function code, and Navy control number. For ease of understanding by all addressees, the report must list the title of the reported element followed by the required information (e.g., Contract Start Date: mmddyyyy).

(2) Activities will report the following information in the format shown below:

(a) Contract Start Date: (mmddyyyy). Actual date the contractor begins full operation of the function/functions under the contract.

(b) Permanent Employees Transferred to Equal Positions. Number of permanent employees reassigned to positions of equal grade effective through the start date of the contract.

(c) Permanent Employees Transferred to Lower Positions. Number of permanent employees reassigned to lower grade positions effective through the start date of the contract.

(d) Employees Taking Early Retirement. Number of employees receiving offer and who have accepted early retirement effective through the start date of the contract.

(e) Employees Taking Normal Retirement. Number of employees who take normal retirement effective through the start date of the contract.

(f) Permanent Employees Separated. Number of permanent employees separated from Federal employment effective through the start date of the contract.

(g) Temporary Employees Separated. Number of temporary employees separated from Federal employment effective through the start date of the contract.

(h) Employees Paid Severance. Number of employees entitled to severance pay upon their separation from Federal employment effective through the start date of the contract.

(i) Total Amount of Severance Pay Entitlement (\$000). Estimated total payable amount of severance for all affected employees, shown in thousands of dollars, after their separation from Federal employment.

(j) Number of Employees Hired by the Contractor. Number of DoD civilian employees (full-time or otherwise) hired by the contractor.

(k) Staff Workyears Expended. Estimated number of activity staff hours expended on the cost comparison. These staff hours will include direct and indirect time expended from the time of study announcement to the final decision.

(l) Estimated Cost of Conducting the Cost Comparison. Estimated cost of the total staff hours identified above and non-labor (e.g., travel, reproduction costs, etc.) associated with conducting the cost comparison. This number should include the cost of any contract consultants funded directly by the claimant. The cost of contract consultants funded through the Strategic Sourcing Office (SSO) from the CNO (N4) budget will be accounted for separately. Show this information as:

(1) Cost of staff hours:

(2) Non-labor costs (travel, reproduction, etc.):

(3) Other consultant costs (identify consultant):

(m) Comments. Present comments as required to explain relevant situations that affected the conduct of the study.

f. The MEO Implementation Report

(1) If the function remains in-house, the fourth report in this series will be submitted when the MEO is implemented, but not later than 180 days after continued in-house performance is authorized. This report, along with a copy of the completed cost comparison form, revised to show any changes resulting from appeal decisions, will be sent to CNO (N4) with information copies to the chain of command. Subject line of report will identify function title, function code, and Navy control number. For ease of understanding by all addressees, the report should list the title of the reported element followed by the required information (e.g., MEO Implementation Date mmddyyyy).

(2) Activities will report the following information in the format shown below:

(a) The MEO Implementation Date: (mmddyyyy)

(b) Staff Hours Expended: Estimated number of activity staff hours expended while completing the cost comparison. These staff hours will include direct and indirect hours expended from the time of study announcement to the final decision.

(c) Estimated Cost of Conducting the Cost Comparison: Estimated cost of the total staff hours identified above and non-labor (e.g. travel, reproduction costs, etc.) associated with the conducting the cost comparison. This number should include the cost of any contract consultants funded directly by the claimant. The cost of contract consultants funded through SSO from the CNO (N4) budget will be accounted for separately. Show this information as:

(1) Cost of staff hours:

(2) Non-labor costs:

(3) Consultant costs (identify consultant):

(d) Comments. Present comments as required explaining relevant situations that affected the conduct of the study.

g. Activity Annual Update Report

(1) This report will be submitted within 30 calendar days after the first period of performance, and annually thereafter, through the option periods stated in the cost comparison to update costs. Submit this report to CNO (N4) with information copies to the chain of command. This report is not required after execution of all periods of performance. The subject line of the report will identify function title, function code, and Navy control number. For ease of understanding by all addressees, the report will list the title of the reported element followed by the required information.

(2) Activities will report the following information (Show costs in thousands of dollars, rounded to the nearest thousand.):

(a) Contract, ISSA, and In-house Bid--First/Second/Third/Fourth/Fifth Performance Period. Enter the in-house FTE workyears planned at the time of cost comparison for the performance period and the bid contract or ISSA price (from line 7 of the CCF).

(b) Actual Contract, ISSA, or In-house Costs--First/Second/Third/Fourth/Fifth Performance Period. For studies resulting in in-house performance; Enter the actual number of expended FTEs during the period of performance and round the figure to the nearest whole number For studies resulting in conversion to contract or ISSA performance, enter the actual contract or ISSA price for the performance period.

(c) Performer Change. Enter one of the following alphabetic codes to indicate whether the provider for the second, third, fourth or fifth performance period has changed from the original contractor.

Y - Yes, the performer has changed.
N - No, the performer has not changed.

(d) New Contractor Size. Enter one of the following alphabetic codes:

L - New Contractor is Large Business
S - New contractor is Small/Disadvantaged Business

(e) Reason for Change. Enter one of the following alphabetic codes:

C - Contract workload consolidated with other existing contract workload.
D - The new contractor took over because the original contractor defaulted.

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I - Performance returned to in-house operation because the original contractor defaulted within 12 months of the start date and the in-house bid was the next lowest bid.

N - The new contractor replaced the original contractor because the Government opted not to renew the contract's option years.

R - The function returned to temporary in-house operation pending resolicitation due to contractor default.

S - An ISSA provider assumed the workload.

T - The function was returned to in-house performance permanently after 12 months from the start date

U - Contract workload consolidated into a larger (umbrella) cost comparison.

X - Other--The function was eliminated because of base closure, realignment, budget reduction, or other change in requirements.

(f) Contract Administration Staffing. Enter the annual estimated work hours expended by contract administration personnel to administer the contract. (N/A if function performed in-house)

(g) Post-MEO Performance Review Date. Enter the date when the MEO underwent formal review and inspection. (N/A if function under contract)

Summary of Activity Reports Required for Full Cost Comparison and Simplified Cost Comparison

REPORT	TYPE & DISPOSITION	WHEN REQUIRED
a1. Establishment of POA&M Target Dates	Report to CNO (N4)	Sixty days after announcement
a2. Quarterly Update of POA&M Dates	Report CNO (N4)	Quarterly (For in-process studies only)
b. Activity Solicitation Report	Report to CNO (N4)	Ten working days after issuance of solicitation
c. Activity Tentative Decision Summary Report	Report to CNO (N4)	Three working days after announcement of cost comparison results
d. Activity Final Decision Summary Report	Report to CNO (N4)	Three working days after completion of appeal period, pre-award survey, etc.
e. Activity Post Conversion Report	Report to CNO (N4)	Ninety days after authorization to perform by contract
f. The MEO Implementation Report	Report to CNO (N4)	Upon MEO implementation but no later than 180 days after authorization of continued in-house operation
g. Activity Annual Update Report	Report to CNO (N4)	Annually within 30 calendar days of end of each performance period

2. Commercial Activities Reporting--Direct Conversion

a. Activity Solicitation Report. Use format at section 1. Commercial Activities Reporting--Full Cost Comparison and Simplified Cost Comparison, 1b.

b. Activity Final Decision Summary Report

(1) An Activity Final Decision Summary Report will be submitted within three working days after completion of the pre-award survey and any other determinations affecting final outcome of the decision to CNO (N4). To expedite reporting, claimants have authority to provide their activity's CAMIS data via the following reports to CNO (N4) either in writing or electronically, using e-mail, fax, or Navy message. Subject line of the response will identify function title, function code, and Navy control number. Provide a response for each line item. For ease of understanding by all addresses, the response should list the title of the reported element followed by the required information (e.g., "b. First Performance Period: 12"). If "not applicable" is appropriate, enter "N/A."

(2) Report the following information in the format shown below:

(a) Number of Bids Received: Number of commercial bids or proposals received by the contracting officer in response to solicitation.

(b) First Performance Period: Length of time expressed in months, covered by the initial contract period used in the cost comparison. Do not include any option periods.

(c) Cost Comparison Period: Total period of operation covered by the cost comparison expressed in months.

(d) Contract, ISSA, or MEO Start Date: (mmddyyyy). Planned date.

(e) For contract decisions, indicate disposition of civilian positions identified in the MEO only if numbers vary from those reported in tentative decision summary response:

(1) Estimated number of permanent employees reassigned to equivalent grade positions:

(2) Estimated number of permanent employees changed to lower grade positions:

(3) Estimated number of employees taking early retirement:

(4) Estimated number of employees taking normal retirement:

(5) Estimated number of permanent employees separated:

(6) Estimated number of temporary employees separated:

(7) Estimated number of employees entitled to severance pay:

(8) Estimated total dollar amount of severance entitlements:

(9) Estimated number of employees that will be hired by the contractor or ISSA provider:

NOTE: Do not include adjustments resulting from RIF bumping and retreating. The sum of lines (1), (2) and (3) above should not exceed the number of positions in the original organization.

NOTE: Lines (f) through (h) are totals over all performances period.

(f) Original cost of function: Estimated total cost of the function before the direct conversion decision, shown in thousands of dollars, rounded to the nearest thousand. Since most of the cost of small organizations are labor, an adequate estimate for this purpose can be attained by developing the cost of the positions eliminated. If a more detailed estimate is available use it--In either case use the more accurate estimate.

(g) Bid/Offeror costs:

(h) Costs incurred by contracting:

(i) Name of company submitting low bid:

(j) Location of company submitting low bid:

(k) Indicate contractor size:

S - Small or small disadvantaged business
L - Large business

(l) The GAO Protest:

(1) Was protest to GAO filed?

Y - Yes
N - No

(2) Who filed the protest?

B - Both
C - Contractor
I - In-house
S - ISSA

(3) Was the protest upheld?

Y - Yes
P - Still in progress (Provide brief explanation)
N - No

(m) Arbitration:

(1) Was arbitration requested?

Y - Yes
N - No

(2) Was case found arbitrable?

Y - Yes
P - Still in progress (Provide brief explanation)
N - No

(n) Contract Type: Enter one of the following codes for the first character to classify the contract as either predominately fixed price or predominately cost reimbursable:

- A Predominately Firm Fixed Price
- D Predominately Cost Reimbursable

Enter one of the following codes for the second character:

- I Indefinite Delivery/Indefinite Quantity
- O Other

c. Activity Post Conversion Report

(1) An Activity Post Conversion Report will be submitted 90 days after contract start date to CNO (N4). The subject line of this report will identify function title, function code, and Navy control number if previously assigned by CNO (N4). For ease of understanding by all addressees, the report should list the title of the reported element followed by the required information (e.g., "f. Contractor Change: N").

(2) Activities will report information in the following sequence:

(a) Actual Contract or ISSA Cost—First/Second/Third/Fourth/Fifth Performance Period. Actual contractor or ISSA cost for the performance period, shown in thousands of dollars, rounded to the nearest thousand.

(b) Performer Change. Enter one of the following alpha designators to indicate whether the contractor for the second or third performance period has changed from the original contractor:

- N - No, the performer has not changed.
- Y - Yes, the performer has changed.

(c) New Contractor Size. Enter N/A if f. above is "N." Otherwise, enter one of the following alpha designators to indicate the size of the new contractor. (If h. below is "I" or "R," no entry is required):

- L - The new contractor is large business.
- S - The new contractor is small or small disadvantaged business.

(d) Reason for Change. Enter N/A if f. above is "N." Otherwise, enter one of the following designators, followed by the last four digits of the fiscal year (FY) in which the change occurred (e.g., "h. Reason for Change: C1998):

C - Consolidation of contract workload with other existing contract workload.

D - The new contractor took over because the original contractor defaulted.

I - The function was returned to in-house performance because the original contractor defaulted within 12 months of the start date and the in-house bid was the next lowest.

N - The new contractor replaced the original contractor because the Government opted not to renew the contract in option years.

R - Return of function to in-house performance temporarily pending resolicitation because of contract default.

S - Assumption of workload by ISSA.

T - The function was returned to in-house performance permanently after 12 months from the start date.

U - Consolidation of contract workload into a larger (umbrella) cost comparison.

X - Other-- The function was eliminated because of base closure, realignment, budget reduction or other change in requirements.

(e) Contract Administration Staffing. The actual number of personnel who administer the contract.

d. Activity Annual Update Report. Use format at section 1. Commercial Activities Reporting--Full Cost Comparison and Simplified Cost Comparison, 1g.

Summary of Activity Reports Required for Direct Conversion

REPORT	TYPE & DISPOSITION	WHEN REQUIRED
a. Activity Solicitation Report	Report to CNO (N4)	Ten working days after issuance of solicitation
b. Activity Final Decision Summary Report	Report to CNO (N4)	Three working days after completion of pre-award survey
c. Activity Post Conversion Report	Report to CNO (N4)	Ninety days after contract start
d. Activity Annual Update Report	Report to CNO (N4)	Annually within 30 calendar days of end of each period of performance

Appendix D--Public Affairs Guidance

1. General Information. This appendix provides public affairs guidance relating to the Commercial Activities (CA) Program. Because of the CA Program's potential effect on an activity's workforce and upon the surrounding community, it is essential there be close coordination between affected installation commanders, activity commanders, local CA Program managers, and area chain of command Public Affairs Officers (PAO).

a. The Deputy Chief of Naval Operations for Logistics coordinates and directs overall policy regarding the Navy CA Program.

b. The CNO (N4) notifies activities via message of functions approved for cost comparison. This notification is provided to each affected installation, its major claimant, the chain of command, area CA coordinators, appropriate area public affairs offices and the Chief of Information (CHINFO). The message authorizes local announcement of the CAs to be studied using the statements contained in the following paragraphs, with appropriate local information inserted.

2. Congressional Announcements and Notifications. The CNO (N4) prepares the announcement to Congress of CA actions as required by the type of cost comparison.

a. Intention to Study Functions. The CNO (N4) reviews the CA functions nominated for cost comparison. If the functions are approved for cost comparison, CNO (N4) prepares a list of functions to be studied, by location, for distribution to members of Congress by the Office of Legislative Affairs (OLA). The CNO (N4) also prepares letters to the Speaker of the House and the President of the Senate advising them of the planned studies.

b. Intention to Contract - Sealed Bids. The contract award decision will be made at the conclusion of the cost comparison, a process that includes bid opening, determination of the apparent low bidder, completion of any appeal process, and a pre-award survey, if required. If a contract award is indicated, CNO (N4) coordinates congressional notification of the Navy's intention to award a contract. Upon notification, CNO (N4) will authorize contract award.

c. Intention to Contract--Negotiated Procurements. If after examining all proposals there exists an apparent successful offeror, a tentative contract award is made contingent upon the outcome of the appeal process. If contract award persists after completion of the appeal process, CNO (N4) coordinates congressional notification of the Navy's intention to authorize performance by contract. The CNO (N4) will advise

the activity, by message, of the congressional notification and will authorize commencement of the contract.

d. Decision to Retain Function In-House. No congressional notification is required when the cost comparison determines in-house retention of function.

3. Local Announcements. Public announcement will be made to all affected parties, including tenants, local activities, and employee groups and unions upon a decision to conduct a cost comparison, award a contract, or retain functions in-house. While each message must be tailored to the specific situation and location, certain aspects of notification are common and may be disseminated by a common template of information. Example media statements are at the end of this appendix.

(Note: Public announcements beyond a letter to employees and employee organization representatives may be deferred to concerned members of Congress. After Congress has been notified by the Office of Legislative Affairs, the Office of the Assistant Secretary of Defense (Public Affairs) will make a media advisory announcement.)

4. Inquiries. The following questions and answers may be used to respond to CA questions generated by local interest and involvement. Some of the inquiries may cross chain of command and local activity lines of responsibility, requiring compilation of information from a variety of affected installations or tenant commands. Communication between area PAOs is essential to ensure a smooth flow of information and present a coordinated responses to legitimate local concerns.

Q1: Why are these functions being considered for contract performance?

A1: It has been the policy of each Presidential Administration since 1955 to require all Federal departments and agencies to rely on the private enterprise system to the maximum extent possible to provide needed products and services. The Commercial Activities (CA) Program, which determines the most economical way of providing needed products and services, is consistent with this policy.

Q2: Will contracting have any influence on our military readiness since functions may be performed by civilian contractors instead of military personnel?

A2: These functions have been reviewed and it has been determined that contract performance will not affect readiness.

Q3: What other installations could be subject to contracting?

A3: Most Navy installations in the United States, its territories and possessions, and the Commonwealth of Puerto Rico have functions that could be included in the CA Program.

Q4: Will contractors offer employment for civilians displaced as a result of conversion?

A4: Contractors will give Federal employees displaced as a result of a conversion their "Right of First Refusal," as required by law, for employment opportunities in positions for which they are qualified.

Q5: What do these studies involve?

A5: Studies involve the identification of the cost of Government performance and the solicitation of bids/offers from the private sector for functions under study. A Performance Work Statement (PWS), specifying the requirements to be studied, is developed for inclusion in the solicitation. The PWS forms the basis for a Most Efficient Organization (MEO) developed to perform the function in-house. The MEO is used to determine costs for the Government estimate used in the cost comparison. If the cost comparison reveals the cost of contractual performance is less than the cost of Government performance by a factor equal to, or greater than, 10 percent of the Government's personnel costs, the function will be contracted.

Q6: When will the studies start?

A6: Studies for most functions will begin shortly after public announcement.

Q7: Who will conduct studies?

A7: Studies will be conducted primarily by Navy personnel at each installation. Expert consultants may be used to assist with the study.

Q8: Will an environmental impact analysis be conducted prior to conversion?

A8: The Navy will comply with all current regulations concerning environmental impact requirements.

Q9: Will employees and unions at various activities be notified of the studies?

A9: Yes.

Q10: Is there a specific cost savings goal for this project?

A10: No. There are no preconceived goals established since each action must be handled on an individual basis.

5. Other Media Inquires. Refer inquiries beyond the scope of this guidance to the Chief of Information (CHINFO) Newsdesk. Refer Navy Public Affairs policy questions to the CHINFO Plans, Policy, and Community Relations Office. Refer questions regarding CA Program policy to the Chief of Naval Operations (N4).

6. Example text for media news releases:

a. Example text body for media advisory for announcement of cost comparison

City and State - The Navy announced its initiation of detailed studies to determine the feasibility and economy of converting various support functions to contractor performance at local area identify activities at identify naval installations. The study is under the cognizance of Commander, identify naval installation. Currently, there are approximately provide numbers military and civilian personnel affected by the study. Decisions to convert functions to contract will be made only if the studies indicate that significant savings of tax dollars can be achieved. If such decisions are made, Congress and the public will be notified of the study. Any employees affected will receive assistance from Federal placement programs including relocations, in obtaining transfer rights to other positions in the Department of Defense or to other Federal agencies, at government expense, if necessary.

b. Example text body for announcement of cost comparison to employees and unions

This letter is to advise you that a cost comparison of the (name) function will be conducted to determine if it is more cost effective to retain the function in-house or to convert it to contract. The function is being considered as part of a Navy-wide review of commercial activities being undertaken in response to the direction of Office and Management and Budget (OMB) Circular A-76, Performance of Commercial Activities.

The Circular requires periodic review of each commercial activity to determine if continued performance by Government personnel is required for reasons of National

Defense. If not, the Circular prescribes that the function undergo a firm bid/offer cost comparison to determine if continued performance by Government personnel is economical. Both the Government and contract cost figures used in the cost comparison are based on the same scope of work and the same performance standard to assure a fair comparison and continued high level of performance. If the costs of contracting are lower than the costs of continued Government performance by a factor equal to or greater than 10 percent of the Government's personnel costs, the function is converted to contract.

A task group has been formed to coordinate the cost comparison. The task group chairperson is state name, command code, telephone number. As soon as the milestones have been established by the task group, you will be advised. A Performance Work Statement (PWS) will be developed outlining the work results required. From that PWS, the Government's Most Efficient Organization (MEO) for the performance of the function will be determined. The cost of the MEO will be computed to estimate the costs of continued performance by Government personnel. Your suggestions on the preparation of the PWS and MEO are solicited.

In an effort to minimize the personal hardships on the event of conversion, every effort will be made to assist the affected employees in obtaining Federal or other employment. Affected employees will be eligible for placement under the DoD Priority Placement Program. In addition, in the event of a decision to convert to contract, the contract will include a provision, consistent with Government post-employment conflict of interest standards, that the contractor will give affected employees their right of first refusal for employment openings on the contract in positions for which they are qualified.

c. Example text body for direct conversion of 10 or fewer FTE

City and State - The Navy initiated business case analyses to determine the feasibility and economy of converting various support functions to contractor performance at local area identify activities at identify naval installations. The solicitation is under the cognizance of Commander, identify naval installation. Currently, there are approximately provide numbers military and civilian personnel potentially affected. Decisions to directly convert functions to contract will be made after a determination that fair and reasonable prices/service values can be obtained. If such decisions are made, Congress and the public will be notified of the action. Any civilian employees affected will receive assistance from Federal placement programs, including relocations, in obtaining transfer rights to other positions in the Department of Defense or to other Federal agencies, at Government expense, if necessary. Additionally, potential contractors will be notified of requirements to offer to affected and qualified

employees their right of first refusal for jobs that may be created in the event of award of contract.

d. Example text body for announcement to employees and union of direct conversion

This letter is to advise you that a business case analysis of the (name) function will be conducted to determine if it is more cost effective to retain the function in-house or to convert it to contract. The function is being considered as part of a Navy-wide review of commercial activities being undertaken in response to the direction of Office and Management and Budget (OMB) Circular A-76, Performance of Commercial Activities.

The Circular requires that each commercial activity be reviewed periodically to determine if continued performance by Government personnel is required for reasons of National Defense. If not, the Circular prescribes that the function undergo a feasibility study to determine if continued performance by Government personnel is economical. If available market /commercial prices are lower than the costs of continued Government performance of the Government's personnel costs, the function is converted to contract.

A task group has been formed to coordinate the cost comparison. The task group chairperson is state name, command code, telephone number. When the cost comparison is completed by the task group, you will be advised of the outcome.

In an effort to minimize the personal hardships in the event of conversion, every effort will be made to assist the affected employees in obtaining Federal or other employment. Affected employees will be eligible for placement under the DoD Priority Placement Program. In the event of a decision to convert to contract, the contract will include a provision, consistent with Government post-employment conflict of interest standards, that the contractor will give affected employees their right of first refusal for employment openings on the contract in positions for which they are qualified.

e. Example text body for announcement of conversion to contractor operation

The Navy announced today its decision to convert various support functions (or list function(s)) at (activity(ies)) in the (location(s)) under the cognizance of (command or activity) to contractor performance. A contract was awarded to (name of contractor). There were (number) military personnel and (number) Navy civilian personnel performing the functions before the decision to convert to contract.

The decision to convert the functions to contract was made after a detailed study indicated that significant savings of tax dollars could be achieved. Congress and the public have been notified according to normal procedures. The civilian employees affected are receiving assistance from Federal placement programs in obtaining transfer or reassignment to other positions in the Department of Defense or to other Federal agencies. Civilian employees affected also have the right of first refusal for employment openings on the contract in positions for which they are qualified.

f. Example text body for announcement of retention of in-house operation

The Navy announced today that it will retain in-house various support (or list functions) at (activity(ies)) in the (location(s)) under the cognizance of (command or activity). Currently there are (number) military personnel and (number) Navy civilian personnel performing the functions. As a result of efficiencies identified in this study the Navy expects that (number) of these positions will be eliminated. The civilian employees affected by this decision are receiving assistance from Federal placement programs in obtaining transfer or reassignment to other positions in the Department of Defense or to other Federal agencies. The decision to retain the performance of the functions in the government was made after a detailed study indicated it was more cost effective to continue to perform the functions by Governmental personnel than by contract.

Appendix E--Principal Statutes Governing CA

1. Title 10 U.S. Code (U.S.C.) (various sections--2461-2471).

a. Section 2461. This section requires congressional notification on the decision to study a function performed by DoD civilian employees. It requires a detailed summary of performance costs that demonstrate contractor performance will result in cost savings to the Government over the life of the contract. It requires certification of the Most Efficient Organization (MEO) and requires congressional reporting regarding:

(1) The economic effect on employees if the function involves more than 75 employees

(2) The effect of contracting on the military mission of the function and the amount of accepted bid and cost of government performance together with conversion costs

(3) Requiring an annual report to Congress (commonly known as the annual CA inventory)

(4) Waiver for the congressional announcement and notification requirements for functions performed by 50 or fewer DoD civilian employees or for preferential procurement

(5) Prohibiting conversion of a function to contract to circumvent a civilian personnel ceiling

(6) Certification that all analysis is available for examination

b. Section 2462. Requires DoD to procure supplies or services from the private sector where such are available at lower cost than that which DoD can itself provide. Requires the Secretary of Defense (SECDEF) to ensure costs considered are fair and reasonable and reflect all costs such as quality assurance, technical monitoring, liability insurance, employee retirement and disability benefits and all other overhead costs.

c. Section 2463. Requires the collection and retention of cost information with respect to converting the performance of a service or function to contractor performance for the term of the contract (not to exceed 5 years) and for conversion from contractor to in-house performance.

d. Section 2464. Establishes core logistics capability and limitations on contracting these functions.

e. Section 2465. Prohibits contracting of firefighting or security-guard functions.

f. Section 2466. Limits and sets percentages for contract performance of depot-level materiel maintenance.

g. Section 2467. Requires the inclusion of retirement costs in government cost comparisons. Requires at least monthly consultation with employees and consideration of their views in developing Performance Work Statement (PWS), management study efforts, and other relevant matters. Establishes that consultation with labor organization representatives (as defined by Title 5 U.S.C. 711) satisfies the consultation requirement.

h. Section 2468. Establishes base commander's authority including the requirement to prepare an annual inventory, determine which CA's will be reviewed under OMB Circular A-76 and to conduct solicitations according to the A-76 process. Limits commanders' authority as prescribed by SECDEF regulations. Requires commanders to provide employment assistance to displaced employees. Defines a military installation.

i. Section 2469. Defines limitations on application of OMB Circular A-76 to depot-level activities.

j. Section 2470. Establishes authority for DoD depot-level activities to compete for maintenance and repair workloads of other Federal agencies.

k. Section 2471. Establishes authorities and limits of leasing excess depot-level equipment and facilities.

2. Title 16 U.S.C. 670a, Conservation/Cooperative Plan for Wildlife Conservation and Rehabilitation. With regard to the implementation and enforcement of cooperative plans agreed to under subsection (a) of this section (1) neither Office of Management and Budget Circular A-76 nor any successor circular thereto applies to the procurement of services that are necessary for that implementation and enforcement; and (2) priority shall be given to the entering into of contracts for the procurement of such implementation and enforcement services with Federal and State agencies having responsibility for the conservation or management of fish or wildlife. This statute is implemented through DODI 4715.3, Environmental Conservation Program, 3 May 1996 (NOTAL).

3. Public Law (PL) 103-226, Federal Workforce Restructuring Act (FWRA) of 1994. The FWRA requires agencies to reduce full-time equivalent positions during fiscal years 1994 through 1999. The Act authorizes agencies to offer employees incentives to retire or leave Federal employment (e.g., Variable Separation Incentive Payment (VSIP)/Variable Early Retirement Authority (VERA)).

4. Annually, the Defense Appropriations Act contains a provision that prohibits spending any funds to convert to contractor performance any function of more than 10 civilian employees without completion of an MEO and congressional announcement. A second general provision prohibits spending funds for studies that exceed 24 months for single function studies and 48 months for multi-function studies. This provision places an absolute time limit on studies. For FY99 the Appropriations Act includes the following citations:

a. Section 8014. None of the funds appropriated by this Act shall be available to convert to contractor performance an activity or function of the Department of Defense that, on or after the date of enactment of this Act, is performed by more than 10 Department of Defense civilian employees until a most efficient and cost-effective organization analysis is completed on such activity or function and certification of the analysis is made to the Committees on Appropriations of the House of Representatives and the Senate: *Provided*, That this section and subsections (a), (b), (c) of 10 U.S.C. 2461 shall not apply to a commercial or industrial type function of the Department of Defense that: (1) is included on the procurement list established pursuant to section 2 of the Act of June 25, 1938 (41 U.S.C. 47), popularly referred to as the Javits-Wagner-O'Day Act; (2) is planned to be converted to performance by a qualified nonprofit agency for the blind or by a qualified nonprofit agency for other severely handicapped individuals in accordance with that Act; or (3) is planned to be converted to performance by a qualified firm under 51 per centum Native American ownership

b. Section 8026. None of the funds appropriated by this Act shall be available to perform any cost study pursuant to the provisions of OMB Circular A-76 if the study being performed exceeds a period of 24 months after initiation of such study with respect to a single function activity or 48 months after initiation of such study for a multi-function activity.

5. Combining these legal requirements establishes the following policy contained in the body of this instruction:

a. Functions with 10 or fewer FTE: By Navy policy, these actions are announced to Congress by the Navy as a courtesy and activities should forward requests to CNO (N4) via their major claimants. After the announcement the function can be "directly

converted” per paragraph 4a above. Cost data must be reported in accordance with the requirements of this instruction.

b. Functions with 11 to 50 FTEs: As stated in paragraph 5a, above, these functions are announced to Congress as a courtesy. Activities will perform a CA study per OMB Circular A-76 to formulate an MEO and will prepare a cost comparison. Upon reaching a decision to convert a function to contract, the decision must be announced to Congress before the conversion proceeds.

c. Functions of more than 50 FTEs: As in paragraph 5b, above, except that these functions must be announced to Congress as required by Title 10 U.S.C. 2461 before the study commences.

6. In summary, although OMB Circular A-76 (NOTAL) provides several alternatives to performing formal cost comparisons, Navy activities must meet statutory reporting requirements. Navy policy meets these requirements with the formal cost comparison process as stated in this instruction.

Appendix F—Brief Summary of the A-76 Decision Process

This appendix presents major decision events required by the law, OMB Circular A-76, Revised Supplemental Handbook (NOTAL), and the Federal Acquisition Regulation (FAR). Its intent is to briefly summarize the more common actions that occur during CA studies.

1. Plan for CA Study:

a. Ten or fewer FTE (Note: This is a management decision and not appealable under CA administrative appeal procedures.):

(1) Non-preferred source: Activities may begin direct conversion to contract without congressional notification if:

(a) The activity commander has attempted to place all affected civilian employees in a position at their present installation, or within the local area, commensurate with their current skills and pay grades.

(b) All affected civilian employees are retrained for existing or projected vacancies within the local commuting area.

(2) Preferred source¹:

(a) Activities may immediately begin conversion to contract or Interservice Support Agreement (ISSA).

b. Eleven to 50 FTE:

(1) The Navy announces this action to Congress as a courtesy.

(2) Activities will conduct a CA study to formulate the MEO and conduct a cost comparison.

c. Fifty-one or more FTE:

(1) The Navy announces this action to Congress as required by law.

¹ Preferred sources include National Industries for the Severely Handicapped, National Industries for the Blind, Federal Prison Industries, and 51 percent Native American ownership.

(2) Activities will conduct a CA study to formulate the MEO and conduct a cost comparison.

2. Develop PWS and QASP

3. Review and Revise PWS and QASP

4. Obtain Higher Level Approval of PWS and QASP

5. Conduct Pre-solicitation Actions (except for Streamlined Cost Comparison)

6. Prepare and Issue Solicitation:

a. Eleven to 65 FTE: Under Streamlined CA procedures, activities may conduct bid solicitation during 14. Select Best Value Offer if the government's adjusted total In-House Cost Estimate is greater than the range of adjusted total contract or ISSA cost estimates. Alternatively, activities may issue solicitation during 10. Evaluate Proposals if 4 or more comparable agency contracts or ISSA's are not available.

b. More than 65 FTE: Activities will conduct formal solicitation as required by the FAR.

7. Develop the Management Plan:

a. Ten or fewer FTE: Activities will base their in-house costs on the current organization, which is assumed to be the MEO, and no management plan is required. Activities will calculate labor, material, overhead, and contract support costs in accordance with the provisions of the OMB Circular A-76, Revised Supplemental Handbook (NOTAL).

b. Eleven or more FTE: Activities will conduct a CA study to formulate the MEO and conduct a cost comparison.

8. Issue and Receive Responses to Solicitation

9. Perform Independent Review

10. Evaluate Proposals:

a. One to 65 FTE: After receipt of the certified In-House Cost Estimate, the contracting officer will develop a range of contract cost estimates based on not less than four comparable agency service contracts or ISSA's. Activities should make adjustments for differences in scope. If four or more contracts or ISSA's are not available, the contracting officer may issue a solicitation for bids and the agency will conduct a cost comparison as provided for in the OMB Circular A-76, Revised Supplemental Handbook (NOTAL).

b. More than 65 FTE: Activities will conduct a formal Source Selection as required by the FAR.

11. Obtain Pre-negotiation Clearance Approval (Not required for one to 65 FTE)

12. Conduct Discussions With Offerors (Not required for one to 65 FTE)

13. Obtain Final Clearance Approval (Not required for one to 65 FTE)

14. Select Best Value Offer:

a. One to 65 FTE: The contracting officer will adjust the range of estimated contract costs in compliance with the requirements of OMB Circular A-76, Revised Supplemental Handbook's streamlined cost comparison procedures. The contracting officer will then compare the Adjusted Total Cost of In-House Performance with the Adjusted Total Cost of Contract or ISSA performance.

b. More than 65 FTE: Conduct bid opening procedures as required by the FAR.

15. Make Tentative Decision (Compare Government and Contractor Proposal):

a. If the Government's adjusted total In-House Cost Estimate is greater than the range of adjusted total contract bid or ISSA cost estimate, the contracting officer will, respectively, announce a tentative decision to award to contractor or enter into an ISSA.

b. Activities will offer Right of First Refusal of Employment to employees adversely affected by contract or ISSA award and who are not considered procurement officials.

c. If the government's adjusted total In-House Cost Estimate is below or within the range of adjusted total contract or ISSA cost estimates, the contracting officer will announce a tentative decision of award to the In-house organization.

16. Conduct Administrative Appeal Period. Upon notification of adversely affected employees and publication of the tentative decision in the Commerce Business Daily, the activity will initiate its Administrative Appeal period.

17. Make Final Decision:

a. Send Activity Final Decision Report to CNO (N4).

b. If final decision results in contractor operation:

(1) The activity will coordinate with CNO (N4) to make congressional notification of intent to contract in accordance with 10 U.S.C. 2461 and the Annual DoD Appropriations Act.

(2) Once the CNO (N4) informs the activity that congressional notification is complete the contracting officer awards the contract.

(3) Activity will begin transition to contract operations.

c. If final decision results in in-house operation:

(1) Begin MEO implementation within 30 days of decision.

(2) Conduct Post-MEO Performance Review at the 1-year point.

Appendix G--The CA Function Nomination Data and Examples

Activities will submit the following information when nominating their functions for competition. All nominations should be grouped into the functions and locations which will comprise one or more multi-function studies or identified as a single function study. Nomination spreadsheets are available at the DCNO (Logistics) Division's Web site.

Nomination for Competition

- Resource Sponsor Name
- Study Name
- Activity Name
- Unit Identification Code
- State
- Congressional District
- Budget AG/SAG(s) Funding Function
- CA Function Code
- CA Function Name
- Total Military (Also, enter data as shown below in Military Data)
- Total Civilian
- Total NAF

Military Data

- Resource Sponsor Number
- Activity Name
- UIC
- CA Function Code
- CA Reason Code
- Billet Identification Number
- BSC
- Billet Title
- Officer Designator
- Officer grade Code
- Enlisted Rating
- Enlisted Rate
- MRC Code
- AC Code
- Current FY Authorizations
- FY Plus 1 Authorizations
- FY Plus 2 Authorizations
- FY Plus 3 Authorizations
- FY Plus 4 Authorizations

Nomination for Competition

RESOURCE SPONSOR NUMBER	STUDY NAME	ACTIVITY NAME	UIC	STATE	CONGRESSIONAL DISTRICT	BUDGET AG/S&G(S) FUNDING FUNCTION	CA FUNCTION CODE	CA FUNCTION NAME	TOTAL MILITARY (NOTE 1)	TOTAL CIVILIAN	TOTAL NAF
77	Anywhere Naval Station Multi-Function BOS	Anywhere Naval Station	12345	ZZ	1	OMN4A5M	S716	Motor Vehicle Operations	0	10	
77	Anywhere Naval Station Multi-Function BOS	Anywhere Naval Station	12345	ZZ	1	OMN4A5M	S712	Refuse Collection and Disposal	0	2	
77	Anywhere Naval Station Multi-Function BOS	Anywhere Naval Station	12345	ZZ	1	OMN4A5M	S727	Water Plants and Systems	0	5	
								Subtotals	0	17	
77	Elsewhere SIMA - Repair	Elsewhere SIMA	12346	YY	2	NWC F004700	J504	Intermediate Maint - Vessels	5	100	
								Subtotals	3	100	
77	Southeast Region Child Development Centers	Naval Station 1	12347	XX	1	OMN4A5M	G904	Child Development Center	0	20	3
77	Southeast Region Child Development Centers	Naval Station 2	12348	XX	1	OMN4A5M	G904	Child Development Center	0	20	3
77	Southeast Region Child Development Centers	Air Station 1	12349	XX	2	OMN4A5M	G904	Child Development Center	0	20	3
77	Southeast Region Child Development Centers	Air Station 2	12340	XX	3	OMN4A5M	G904	Child Development Center	0	20	3
								Subtotals	0	80	12
								Totals	3	197	12

[illegible]

Appendix H--Ethics Issues Related to Participation in OMB Circular A-76 Cost Comparison Studies and Exercise of Right of First Refusal of Employment

The following provides guidance concerning the law and employee participation in CA studies. Activity commanders should encourage maximum participation by their employees, particularly in the data collection and review phases of the study, because active employee participation typically results in a comprehensive PWS and a more complete MEO. Since circumstances may vary, employees participating in CA studies should seek guidance from their supervisor and ethics counselor to determine individual compliance requirements.

1. *Title 18 U.S.C. 207, Restrictions on former officers, employees, and elected officials of the Executive and Legislative Branches* prohibits a Federal employee from personally and substantially participating in any particular matter that has a direct and predictable effect on the employees' financial interests. Additionally:

a. These restrictions do not apply at the time of the preparation of the PWS or MEO because any future employment offer is contingent upon the outcome of the cost comparison.

b. The cost comparison results in the award of a contract only if the contractor's cost is less than the cost of the MEO. Uncertainty as to the eventual outcome of a competition makes it unlikely that an employee's participation in the study constitutes "a direct and predictable effect" on their financial interests or post-Federal employment opportunities.

c. Employees' exercise of their Right of First Refusal, by itself, does not constitute "seeking employment" under DODD 5500.7-R, Joint Ethics Regulation, 30 August 1993 or as an arrangement regarding future employment.

d. An employees' (and supervisors') Right of First Refusal does not, by itself, create a conflict or appearance of a conflict of interest. Financial interests are imputed only if an employee enters into employment negotiations while the employee is actively participating in a cost comparison. If this occurs, employees must immediately consult with their supervisor and ethics counselor to determine whether their participation constitutes "personal and substantial" participation with a "direct and predictable" outcome for the non-Federal entity making the offer of employment. Ordinarily, providing technical data to assist in the development of a PWS and/or MEO is unlikely to have a "direct and predictable" effect on either the final MEO or contract offers.

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2. *Title 18 U.S.C. 208, Acts affecting a personal financial interest* prohibits former officers or employees from making a communication or appearance with the intent to influence the Federal Government on any particular matter they personally and substantially participated in while they were a Federal employee. This prohibition usually will not apply to most study participants since their participation is generally limited to the early development of the PWS and MEO and is usually prior to any solicitation actions.

3. *Title 41 U.S.C. 423, Procurement Integrity* establishes post-Government employment restrictions for employees personally and substantially participating in a solicitation. Personnel subject to this prohibition are generally limited to those employees performing evaluations or rendering decisions as part of the source selection process.

a. The FAR Part 3.104-3, Definitions states that the following activities are not "substantial" for the purpose of prohibiting employee participation in A-76 studies:

(1) Participation in management studies

(2) Preparation of the In-House Cost Estimate

(3) Preparation of the MEO

(4) Furnishing data or technical support to be used by others in the development of the PWS, statement of work, or specifications

b. Individual employees participation in A-76 competitions does not, by itself, automatically jeopardize their exercise of Right of First Refusal, unless:

(1) They were, or formerly acted as, a Procurement Official as defined by Title 41 U.S.C. 423, Procurement Integrity.

(2) They formerly made decisions related to:

(a) Awarding a contract, subcontract, task delivery order, or contract modification

(b) Establishing contract overhead/other rates, approving issuance of a payment to a contractor, or paying/settling a contractor claim against the Government.

Appendix I--Management Decision Procedure to Convert Activities Not Subject to OMB Circular A-76

1. Activities with 11 or more Full-Time Equivalents desiring to change from in-house provision of services where A-76 does not apply or has been waived to contract will:

- a. Notify CNO (N4). The CNO (N4) will initiate required Congressional notification.
- b. Verify that the present organization's processes are efficient and effective.
- c. Conduct a cost/benefit analysis to determine advantages and disadvantages of contracting the function. This analysis must consider all costs required by 10 U.S.C. 2462. Activities will forward this analysis through their chain of command to CNO (N4). The CNO (N4) will forward this analysis through the Secretariat to the Committees on Appropriations of the House of Representatives and the Senate as required by law.
- d. Follow Federal Acquisition Regulations during source selection.

2. This method of converting a function with 11 or more FTEs to contract is a management decision. It is not appealable under OMB Circular A-76 Revised Supplemental Handbook (NOTAL), but is subject to FAR provision for protests.

3. References:

a. Title 10 U.S.C. 2462, Contracting for certain supplies and services required when cost is lower:

(a) In General. - Except as otherwise provided by law, the Secretary of Defense shall procure each supply or service necessary for or beneficial to the accomplishment of the authorized functions of the Department of Defense (other than functions which the Secretary of Defense determines must be performed by military or Government personnel) from a source in the private sector if such a source can provide such supply or service to the Department at a cost that is lower (after including any cost differential required by law, Executive Order, or regulation) than the cost at which the Department can provide the same supply or service.

(b) Realistic and Fair Cost Comparisons. - For the purpose of determining whether to contract with a source in the private sector for the performance of a Department of Defense function on the basis of a comparison of the costs of procuring supplies or services from such a source with the costs of providing the same supplies or services by the Department of Defense, the Secretary of Defense

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shall ensure that all costs considered (including the costs of quality assurance, technical monitoring of the performance of such function, liability insurance, employee retirement and disability benefits, and all other overhead costs) are realistic and fair.

b. FY 99 Defense Appropriations Act, Section 8014. None of the funds appropriated by this Act shall be available to convert to contractor performance an activity or function of the Department of Defense that, on or after the date of enactment of this Act, is performed by more than 10 Department of Defense civilian employees until a most efficient and cost-effective organization analysis is completed on such activity or function and certification of the analysis is made to the Committees on Appropriations of the House of Representatives and the Senate: *Provided*, That this section shall not apply to a commercial or industrial type function of the Department of Defense that: (1) is included on the procurement list established pursuant to section 2 of the Act of June 25, 1938 (41 U.S.C. 47), popularly referred to as the Javits-Wagner-O'Day Act; (2) is planned to be converted to performance by a qualified nonprofit agency for the blind or by a qualified nonprofit agency for other severely handicapped individuals in accordance with that Act; or (3) is planned to be converted to performance by a qualified firm under 51 per centum Native American ownership.

Appendix J--Codes and Definitions of Functional Areas

These functional definitions are provided to assist in reporting CA Function Codes. These codes are from the 30 September 1998 submission of the Commercial Activity inventory to the Office of the Secretary of Defense and are subject to change. They are provided for reference only and additional guidance will be promulgated separately for future inventory reporting.

SOCIAL SERVICES

CODE	DEFINITION
G001: Care of Remains of Deceased Personnel and/or Funeral Services.	Includes commercial activities that provide mortuary services, including transportation from aerial port of embarkation to mortuary of human remains received from overseas mortuaries, inspection, restoration, provision of uniform and insignia, dressing, flag, placement in casket, and preparation for onward shipment.
G008: Commissary Store Operation. G008A: Shelf Stocking. G008B: Check Out. G008C: Meat Processing. G008D: Produce Processing. G008E: Storage and Issue. G008F: Other. G008G: Troop Subsistence Issue Point	Includes commercial activities that; provide all ordering, receipt, storage, stockage, and retailing for commissaries; excludes procurement of goods for issue or resale.
G009: Clothing Sales Stores Operation.	Includes commercial activities that provide ordering, receipt, storage, stockage, and retailing of clothing.
G010: Recreational Library Services.	Includes commercial activities that operate libraries maintained primarily for off-duty use by military personnel and their dependents.
G011: Other Morale Welfare and Recreation Services.	Commercial activities maintained primarily for the off-duty use of military personnel

CODE	DEFINITION
	and their dependents, including both appropriated and partially nonappropriated fund activities. The operation of clubs and performing messes, and morale support activities are included in code G011. Examples of G011 activities are arts and crafts, entertainment, sports and athletics, swimming, bowling, marina and boating, stables, youth activities, centers, and golf.
G012: Community Services.	DoD Directive 1015.1 contains further amplification of the categories.
G900: Chaplain Activities and Support Services.	Includes the command religious program, which includes chaplains and enlisted support personnel, as well as commercial activities that provide non–military-unique support services that supplement the command religious program, such as providing nonpastoral counseling, organists, choir directors, and directors of religious education .
G901: Berthing BOQ/BEQ.	Includes commercial activities that provide temporary or permanent accommodations for officer or enlisted personnel. Management of the facility, room service, and daily cleaning are included.
G904: Family Services.	Includes commercial activities that perform various social services for families, such as family counseling; financial counseling and planning; or the operation of an abuse center, child care center, or family aid center.
G999: Other Social Services.	This code shall only be used for unusual circumstances and shall not be used to report organizations or work that can be accommodated under a specifically defined code.
G000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).

CODE	DEFINITION
G000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.
G000C: ADP&E Support.	Includes ADP&E support personnel for the above coded functions.
G000D: Administrative Support.	Includes administrative, secretarial and office support personnel for the above coded functions.

HEALTH SERVICES

CODE	DEFINITION
H101: Hospital Care.	Includes commercial activities that provide outpatient and inpatient care and consultative evaluation in the medical specialties, including pediatrics and psychiatry; and the coordination of health care delivery relative to the examination, diagnosis, treatment, and disposition of medical inpatients.
H102: Surgical Care.	Includes commercial activities that provide outpatient and inpatient care and consultative evaluation in the surgical specialties, including obstetrics; gynecology; ophthalmology and otorhinolaryngology; and the coordination of health care delivery relative to the examination, treatment, diagnosis, and disposition of surgical patients.
H105: Nutritional Care.	Includes commercial activities that provide hospital food services for inpatients and outpatients, dietetic treatment, counseling of patients, and nutritional education.
H106: Pathology Services.	Includes commercial activities involved in the operation of laboratories providing comprehensive clinical and anatomical pathology services, DoD military blood program and blood bank activities, and area reference laboratories.
H107: Radiology Services.	Includes commercial activities that provide diagnostic and therapeutic radiological

CODE	DEFINITION
	service to inpatients and outpatients, including the processing, examining, interpreting, and storage and retrieval of radiographs, fluorographs, and radiotherapy.
H108: Pharmacy Services.	Includes commercial activities that produce, preserve, store, compound, manufacture, package, control, assay, dispense, and distribute medications (including intravenous solutions) for inpatients and outpatients.
H109: Physical Therapy.	Includes commercial activities that provide care and treatment to patients whose ability to function is impaired or threatened by disease or injury; primarily serve patients whose actual impairment is related to neuro-musculoskeletal, pulmonary, and cardiovascular systems; and evaluate the function and impairment of these systems and select and apply therapeutic procedures to maintain, improve, or restore these functions.
H110: Materiel Services.	Includes commercial activities that provide or arrange for the supplies, equipment, and certain services necessary to support the mission of the medical facility and whose responsibilities include procurement, inventory control, receipt, storage, quality assurance, issue, turn-in, disposition, property accounting, and reporting actions for designated medical and nonmedical supplies and equipment.
H111: Orthopedic Services.	Includes commercial activities that construct orthopedic appliances, such as braces, casts, splints, supports, and shoes from impressions, forms, molds, and other specifications.
H112: Ambulance Service.	Includes commercial activities that provide transportation for personnel who are injured, sick, or otherwise require medical

CODE	DEFINITION
	treatment, including standby duty in support of military activities and ambulance bus services.
H113: Dental Care.	Includes commercial activities that provide oral examinations, patient education, diagnosis, treatment, and care including all phases of restorative dentistry, oral surgery, prosthodontics, oral pathology, periodontics, orthodontics, endodontics, oral hygiene, preventive dentistry, and radiodontics.
H114: Dental Laboratories.	Includes commercial activities that operate dental prosthetic laboratories required to support the provision of comprehensive dental care. Services may include preparing casts and models; repairing dentures; fabricating transitional, temporary, or orthodontic appliances; and finishing dentures.
H115: Clinics and Dispensaries.	Includes commercial activities that operate freestanding clinics and dispensaries that provide health care services, such as health clinics, occupational health clinics, and occupational health nursing offices. Operations are relatively independent of a medical treatment facility and are separable for in-house or contract performance.
H116: Veterinary Services.	Includes commercial activities that provide a complete wholesomeness and a quality-assurance food-inspection program. Activities include sanitation, inspection of food received, surveillance inspections, and laboratory examination and analysis; a complete zoonosis control program; complete medical care for Government-owned animals; veterinary medical support for biomedical research and development; support to other Federal agencies when requested and authorized; assistance in a

CODE	DEFINITION
	comprehensive preventive medicine program; and determination of fitness of all foods that may have been contaminated by chemical, bacteriological, or radioactive materials.
H117: Medical Records Transcription.	Includes commercial activities that transcribe, file, and maintain medical records.
H118: Nursing Services.	Includes commercial activities that provide care and treatment for inpatients and outpatients not required to be performed by a doctor.
H119: Preventive Medicine.	Includes commercial activities that operate wellness or holistic clinics (preventive medicine), information centers, and research laboratories.
H120: Occupational Health.	Includes commercial activities that develop, monitor, and inspect installation safety conditions.
H121: Drug Rehabilitation.	Includes commercial activities that operate alcohol treatment facilities, urine testing for drug content, and drug/alcohol counseling centers.
H999: Other Health Services.	This code shall only be used for unusual circumstances and shall not be used to report organizations or work that can be accommodated under a specifically defined code.
H000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
H000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.
H000C: ADP&E Support.	Includes ADP&E support personnel for the above coded functions.
H000D: Administrative Support.	Includes administrative, secretarial and office support personnel for the above coded functions.

INTERMEDIATE, DIRECT, OR GENERAL REPAIR AND MAINTENANCE OF EQUIPMENT

Definition. Maintenance authorized and performed by designated maintenance commercial activities in support of using activities. Normally, it is limited to replacement and overhaul of unserviceable parts, subassemblies, or assemblies. It includes (1) intermediate, direct, or general maintenance performed by fixed activities that are not designed for deployment to combat areas and that provide direct support of organizations performing or designed to perform combat missions from bases in the United States, and (2) any testing conducted to check the repair procedure. Commercial activities engaged in intermediate, direct, or general maintenance and/or repair of equipment are to be grouped according to the equipment predominantly handled, as follows:

CODE	DEFINITION
J501: Aircraft.	Aircraft and associated equipment. Includes armament, electronic and communications equipment, engines, and any other equipment that is an integral part of an aircraft.
J502: Aircraft Engines.	Aircraft engines that are not repaired while an integral part of the aircraft.
J503: Missiles.	Missile systems and associated equipment. Includes mechanical, electronics, and communication equipment that is an integral part of missile systems.
J504: Vessels.	All vessels, including armament, electronics, communications and any other equipment that is an integral part of the vessel.
J505: Combat Vehicles.	Tanks, armored personnel carriers, self-propelled artillery, and other combat vehicles. Includes armament, fire control, electronic, and communications equipment that is an integral part of a combat vehicle.
J506: Noncombat Vehicles.	Automotive equipment, such as tactical, support, and administrative vehicles. Includes electronic and communications equipment that is an integral part of the noncombat vehicle.

CODE	DEFINITION
J507: Electronic and Communications Equipment.	Stationary, mobile, portable, and other electronic and communications equipment. Excludes electronic and communications equipment that is an integral part of another weapon or support system. Maintenance of automatic data processing equipment (ADPE) that is not an integral part of a communications system shall be reported under functional code W825; maintenance of tactical ADPE shall be reported under function code J999.
J510: Railway Equipment.	Locomotives of any type or gauge, including steam, compressed air, straight electric, storage battery, diesel electric, gasoline, electric, diesel mechanical locomotives, railway cars, and cabooses. Includes electrical equipment for locomotives and cars, motors, generators, wiring supplies for railway tracks for both propulsion and signal circuits, and on-board communications and control equipment.
J511: Special Equipment.	Construction equipment, weight lifting, power, and materiel handling equipment (MHE).
J512: Armament.	Small arms; artillery and guns; nuclear munitions; chemical, biological, and radiological (CBR) items; conventional ammunition; and all other ordnance items. Excludes armament that is an integral part of another weapon or support system.
J513: Dining Facility Equipment.	Dining facility kitchen appliances and equipment.
J514: Medical and Dental Equipment.	Medical and dental equipment.
J515: Containers, Textiles, Tents, and Tarpaulins.	Containers, tents, tarpaulins, other textiles, and organizational clothing.
J516: Metal Containers.	Container Express (CONEX) containers, gasoline, containers, and other metal containers.
J517: Training Devices and Audiovisual	Training devices and audiovisual

CODE	DEFINITION
Equipment.	equipment. Excludes maintenance of locally fabricated devices and functions reported under codes T807 and T900.
J519: Industrial Plant Equipment.	That part of plant equipment used to cut, abrade, grind, shape, form, join, test, measure, heat, or otherwise alter the physical, electrical, or chemical properties of materials, components, or end items entailed in manufacturing, maintenance, supply processing, assembly, or research and development operations.
J520: Test, Measurement, and Diagnostic Equipment.	Test, measurement, and diagnostic equipment (TMDE) that has resident in it a programmable computer. Included is equipment referred to as automated test equipment (ATE).
J521: Other Test, Measurement, and Diagnostic-Equipment.	TMDE not classified as ATE or that does not contain a resident programmable computer. Includes such items as electronic meters, armament circuit testers, and other specialized testers.
J522: Aeronautical Support Equipment.	Aeronautical support equipment, excluding TMDE (and ATE). Includes such items as ground electrical power carts, aircraft tow tractors, ground air conditioners, engine stands, and trailers. Excludes aeronautical equipment reported under J501.
J999: Other Intermediate, Direct, or General Repair and Maintenance of Equipment.	This code shall only be used for unusual circumstances and shall not be used to report organizations or work that can be accommodated under a specifically defined code.
J000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
J000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.

CODE	DEFINITION
J000C: ADP&E Support.	Includes ADP&E support personnel for the above coded functions.
J000D: Administrative Support.	Includes administrative, secretarial and office support personnel for the above coded functions.

DEPOT REPAIR, MAINTENANCE, MODIFICATION, CONVERSION, OR OVERHAUL OF EQUIPMENT

Definition. The maintenance performed on materiel that requires major overhaul or a complete rebuild of parts, assemblies, subassemblies, and end items, including the manufacture of parts, modifications, testing, and reclamation, as required. Depot maintenance serves to support lower categories of maintenance and provides stocks of serviceable equipment by using more extensive facilities for repair than are available in lower-level maintenance activities. (See DoD Instruction 4151. 18 for further amplification of the category definitions reflected below.) Depot or indirect maintenance functions are identified by the type of equipment maintained or repaired.

CODE	DEFINITION
K531: Aircraft.	Aircraft and associated equipment. Includes armament, electronics and communications equipment, engines, and any other equipment that is an integral part of an aircraft. Aeronautical support equipment not reported separately under code K548.
K532: Aircraft Engines.	Aircraft engines that are not repaired while an integral part of the aircraft.
K533: Missiles.	Missile systems and associated equipment. Includes mechanical, electronic, and communications equipment that is an integral part of missile systems.
K534: Vessels.	All vessels, including armament, electronics, and communications equipment, and any other equipment that is an integral part of a vessel.
K535: Combat Vehicles.	Tanks, armored personnel carriers, self-propelled artillery, and other combat vehicles. Includes armament, fire control, electronics, and communications

CODE	DEFINITION
	equipment that is an integral part of a combat vehicle.
K536: Noncombat Vehicles.	Automotive equipment, such as tactical support and administrative vehicles. Includes electronic and communications equipment that are an integral part of the vehicle.
K537: Electronic and Communications Equipment.	Stationary, mobile, portable, and other electronics and communications equipment. Excludes electronic and communications equipment that is an integral part of another weapon/support system. Maintenance of ADPE, which is not an integral part of a communications system, is reported under functional code W825.
K538: Railway Equipment.	Locomotives of any type or gauge, including steam, compressed air, straight electric, storage battery, diesel electric, gasoline, electric, and diesel mechanical; railway cars; and cabooses. Includes electrical equipment for locomotives and cars, motors, generators, wiring supplies for railway tracks for both propulsion and signal circuits, and on-board communication and control equipment.
K539: Special Equipment.	Construction equipment, weight lifting, power, and materiel-handling equipment.
K540: Armament.	Small arms; artillery and guns; nuclear munitions, CBR items; conventional ammunition; and all other ordnance items. Excludes armament that is an integral part of another weapon or support system.
K541: Industrial Plant Equipment.	That part of plant equipment used to cut, abrade, grind, shape, form, join, test, measure, heat, or otherwise alter the physical, electrical, or chemical properties of materials, components, or end items entailed in manufacturing, maintenance, supply, processing, assembly, or research

CODE	DEFINITION
	and development operations.
K542: Dining Facility Equipment.	Dining facility kitchen appliances and equipment, including field feeding equipment.
K543: Medical and Dental Equipment.	Medical and dental equipment.
K544: Containers, Textiles, Tents and Tarpaulins.	Containers, tents, tarpaulins, and other textiles.
K545: Metal Containers.	CONEX containers, gasoline containers, and other metal containers.
K546: Test Measurement and Diagnostic Equipment (TMDE).	TMDE that has resident in it a programmable computer. Included is equipment referred to as automated test equipment (ATE).
K547: Other Test Measurement and Diagnostic Equipment.	Test measurement and diagnostic equipment not classified as ATE or that does not contain a resident programmable computer. Includes such items as electronic meters, armament circuit testers, and other specialized testers.
K548: Aeronautical Support Equipment.	Aeronautical support equipment excluding TMDE and ATE. Includes such items as ground electrical power carts, aircraft tow tractors, ground air conditioners, engine stands, and trailers. Excludes aeronautical support equipment reported under code K531.
K999: Other Depot Repair Maintenance Modification, Conversion, or Overhaul of Equipment.	This code shall only used for unusual circumstances and shall not be used to report organizations or work that can be accommodated under a specifically defined code.
K000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
K000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.
K000C: ADP&E Support.	Includes ADP&E support personnel for the above coded functions.

CODE	DEFINITION
K000D: Administrative Support.	Includes administrative, secretarial and office support personnel for the above coded functions.

BASE MAINTENANCE/MULTI/FUNCTION CONTRACTS

CODE	DEFINITION
P100: Base Maintenance/multifunction Contracts.	Includes all umbrella-type contracts where the contractor performs more than one function at one or more installations. (Specific functions shall be identified as nonadditive entries in the CAMIS database.)
P000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
P000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.
P000C: ADP&E Support.	Includes ADP&E support personnel for the above coded functions.
P000D: Administrative Support.	Includes administrative, secretarial and office support personnel for the above coded functions.

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION (RDT&E) SUPPORT

CODE	DEFINITION
R600: RDT&E.	Includes those scientists, engineers and other professionals needed to maintain the development of future weapon systems, support equipment and personnel equipment and testing. Also, includes those who test and evaluate future systems.
R660: RDT&E Support.	Includes all effort not reported elsewhere directed toward support of installation or operations required for research, development, test, and evaluation use.

CODE	DEFINITION
	Included are maintenance support of laboratories, operation and maintenance of test ranges, and maintenance of test aircraft and ships.
R000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
R000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.
R000C: ADP&E Support.	Includes ADP&E support personnel for the above coded functions.
R000D: Administrative Support.	Includes administrative, secretarial and office support personnel for the above coded functions.

INSTALLATION SERVICES

CODE	DEFINITION
S700: Natural Resource Services.	Includes those activities that provide products or services that implement natural resource management plans in the areas of fish, game, wildlife, forestry, watershed areas or groundwater table, erosion control, and mineral deposit management.
S701: Advertising and Public Relations Services.	Includes commercial activities responsible for advertising and public relations in support of public affairs offices, installation newspapers and publications, and information offices.
S702: Financial and Payroll Services.	Includes commercial activities that prepare payroll, print checks, escrow, or change payroll accounts for personnel. Includes other services normally associated with banking operations.
S703: Debt Collection.	Includes commercial activities that monitor, record, and collect debts incurred by overdrafts, bad checks, or delinquent

CODE	DEFINITION
	accounts.
S706: Installation Bus Services. S706A: Scheduled Bus Services. S706B: Unscheduled Bus Services. S706C: Dependent School Bus Services. S706D: Other Bus Services.	Includes commercial activities that operate local, intrapost, and interpost scheduled bus services. Includes scheduled movement of personnel over regular routes by administrative motor vehicles to include taxi and dependent school bus services.
S708: Laundry and Dry Cleaning Services.	Includes commercial activities that operate and maintain laundry and dry-cleaning facilities.
S709: Custodial Services.	Includes commercial activities that provide janitorial and housekeeping services to maintain safe and sanitary conditions and preserve property.
S710: Pest Management.	Includes commercial activities that provide control measures directed against fungi, insects, rodents, and other pests.
S712: Refuse Collection and Disposal Services.	Includes commercial activities that operate incinerators, sanitary fills, and regulated dumps, and perform all other approved refuse collection and disposal services.
S713: Food Services. S713A: Food Preparation and Administration. S713B: Mess Attendants and	Includes commercial activities engaged in the operation and administration of food preparation and serving facilities. Excludes operation of central bakeries, pastry kitchens, and central meat-processing facilities that produce a product and are reported under functional area X934. Excludes hospital food service operations (under code H105).

CODE	DEFINITION
Housekeeping Services.	
S714: Furniture.	Includes commercial activities that repair and refurbish furniture.
S715: Office Equipment.	Includes commercial activities that maintain and repair typewriters, calculators, and adding machines.
<p>S716: Motor Vehicle Operation.</p> <p>S716A: Taxi Service. S716B: Bus Service (unless in S706). S716C: Motor Pool Operation. S716D: Crane Operation (includes rigging and excludes those listed in T800G). S716E: Heavy Truck Operation. S716F: Construction Equipment Operation. S716I: Driver/Operator Licensing and Test. S716J: Other Vehicle Operations (light truck/auto). S716K: Fuel Truck Operations. S716M: Tow Truck Operations.</p>	Includes commercial activities that operate local administrative motor transportation services. Excludes installation bus services reported in functional area S706.
<p>S717: Motor Vehicle Maintenance.</p> <p>S717A: Upholstery Maintenance and Repair. S717B: Glass Replacement and Window Repair. S717C: Body Repair and Painting. S717D: Accessory Overhaul. S717E: General Repairs/Minor Maintenance. S717F: Battery Maintenance and Repair.</p>	Includes commercial activities that maintain automotive equipment, such as support and administrative vehicles. Includes electronic and communications equipment that are an integral part of the vehicle.

CODE	DEFINITION
S717G: Tire Maintenance and Repair. S717H: Major Component Overhaul. S717I: Material Handling Equipment Maintenance. S717J: Crane Maintenance. S717K: Construction Equipment Maintenance. S717L: Frame and Wheel Alignment. S717M: Other Motor Vehicle Maintenance.	
S718: Fire Prevention and Protection. S718A: Fire Protection Engineering S718B: Fire Station Administration S718C: Fire Prevention. S718D: Fire Station Operations. S718E: Crash and Rescue. S718F: Structural Fire Suppression. S718G: Fire & Crash/Rescue Equipment Major Maintenance. S718H: Other Fire Prevention and Protection.	Includes activities that operate and maintain fire protection and preventive services. Includes routine maintenance and repair of fire equipment and the installation of fire prevention equipment. (NOTE: Check Section 2465 of title 10, United States Code, for prohibitions in converting some of these functions to contract.)
S719: Military Clothing.	Includes commercial activities that order, receive, store, issue, and alter military clothing and repair military shoes. Excludes repair of organizational clothing reported under code J515.
S724: Guard Service.	Includes commercial activities engaged in physical security operations that provide for installation security and intransit protection of military property from loss or damage. (NOTE: Check Section 2465 of Title 10 U.S.C. for prohibitions in

CODE	DEFINITION
<p>S724A: Ingress and egress control.</p> <p>S724B: Physical security patrols and posts.</p> <p>S724C: Conventional arms, ammunition, and explosives (CAAE) security.</p> <p>S724D: Animal control.</p> <p>S724E: Visitor information services.</p> <p>S724F: Vehicle impoundment.</p> <p>S724G: Registration functions.</p> <p>S724S: Other guard service.</p>	<p>converting some of these functions to contract.)</p> <p>Regulation of person, material, and vehicles entering or exiting a designated area to provide protection of the installation and Government property.</p> <p>Mobile and static physical security guard activities that provide protection of installation or Government property.</p> <p>Dedicated security guards for CAAE.</p> <p>Patrolling for, capture of, and response to complaints about uncontrolled, dangerous, and disabled animals on military installations.</p> <p>Providing information to installation resident and visitors about street, agency, unit, and activity locations.</p> <p>Removal, accountability, security, and processing of vehicles impounded on military installations.</p> <p>Administration, filing, processing, and retrieval information about privately owned items that must be registered on military installations.</p>
S725: Electrical Plants and Systems.	Includes commercial activities that operate, maintain, and repair Government-owned electrical plants and systems.
S726: Heating Plants and Systems.	Includes commercial activities that operate, maintain, and repair Government-owned heating plants and systems that have a capacity greater than 750,000

CODE	DEFINITION
	British Thermal Units (BTUs). Codes Z991 or Z992 shall be used for systems that have a capacity of less than 750,000 BTUs, as applicable.
S727: Water Plants and Systems.	Includes commercial activities that operate, maintain, and repair Government-owned water plants and systems.
S728: Sewage and Waste Plants and Systems.	Includes commercial activities that operate, maintain, and repair Government-owned sewage and waste plants and systems.
S729: Air Conditioning and Refrigeration Plants.	Includes commercial activities that operate, maintain, and repair Government-owned air conditioning and refrigeration plants whose capacity is greater than 5 tons. Codes Z991 or Z992 shall be used for plants with less than a 5-ton capacity, as applicable.
S730: Other Services or Utilities.	Includes commercial activities that operate, maintain, and repair other Government-owned services or utilities.
S731: Base Supply Operations.	Includes commercial activities that operate centralized installation supply functions providing supplies and equipment to all assigned or attached units. Performs all basic supply functions to determine requirements for all requisition, receipt, storage, issuance, and accountability for materiel.
S732: Warehousing and Distribution of Publications.	Includes commercial activities that receive, store, and distribute publications and blank forms.
S740: Installation Transportation Office.	Includes technical, clerical, and administrative commercial activities that support traffic management services related to the procurement of freight and passenger service from commercial "for hire" transportation companies. Excludes installation transportation functions described under codes S706, S716, S717,

CODE	DEFINITION
S740A: Installation Transportation Management and Administration. S740B: Materiel Movements. S740C: Personnel Movements. S740D: Personal Property Activities. S740E: Quality Control and Inspection. S740F: Unit Movements.	T810, T811, T812, and T814.
S750: Museum Operations.	
S760: Contractor-Operated Parts Stores and Contractor-Operated Civil Engineering Supply Stores.	
S999: Other Installation Services.	This code shall only be used for unusual circumstances and shall not be used to report organizations or work that can be accommodated under a specifically defined code.
S000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
S000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.
S000C: ADP&E Support.	Includes ADP&E support personnel for the above coded functions.
S000D: Administrative Support.	Includes administrative, secretarial and office support personnel for the above coded functions.

OTHER NONMANUFACTURING OPERATIONS

CODE	DEFINITION
T800: Ocean Terminal Operations.	Includes commercial activities that operate terminals transferring cargo between overland and sealift transportation. Includes handling of Government cargo through commercial water terminals.

CODE	DEFINITION
T800A: Pier Operations.	Includes commercial activities that provide stevedore and shipwright carpentry operations supporting the loading, stowage, and discharge of cargo and containers on and off ships, and supervision of operations at commercial piers and military ocean terminals.
T800B: Cargo Handling Equipment.	Includes commercial activities that operate and maintain barge derricks, gantries, cranes, forklifts, and other materiel handling equipment used to handle cargo within the terminal area.
T800C: Port Cargo Operations.	Includes commercial activities that load and unload railcars and trucks, pack, repack, crate, warehouse, and store cargo moving through the terminal, and stuff and unstuff containers.
T800D: Vehicle Preparation.	Includes commercial activities that prepare Government and privately owned vehicles (POVS) for ocean shipment, inspection, stowage in containers, transportation to pier, processing, and issue of import vehicles to owners.
T800E: Lumber Operations.	Includes commercial activities that segregate reclaimable lumber from dunnage removed from ships, railcars, and trucks; remove nails; even lengths; inspect; and return the lumber to inventory for reuse. Includes receipt, storage, and issue of new lumber.
T800F: Materiel Handling Equipment (MHE) Operations.	Includes commercial activities that deliver MHE to user agencies, perform onsite fueling, and operate special purpose and heavy capacity equipment.

CODE	DEFINITION
<p>T800G: Crane Operations.</p> <p>T800H: Breakbulk Cargo Operations.</p> <p>T800I: Other Ocean Terminal Operations.</p>	<p>Includes commercial activities that operate and perform first-echelon maintenance of barge derricks, gantries, and truck-mounted cranes in support of vessels and terminal cargo activities.</p> <p>Includes commercial activities that provide stevedoring, shipwright carpentry, stevedore transportation, and the loading and unloading of noncontainerized cargo.</p>
<p>T801: Storage and Warehousing.</p> <p>T801A: Receipt.</p> <p>T801B: Packing and Crating of Household Goods.</p> <p>T801C: Shipping.</p>	<p>Includes commercial activities that receive materiel into depots and other storage and warehousing facilities, provide care for supplies, and issue and ship materiel. Excludes installation supply in support of unit and tenet activities described in S731.</p> <p>Includes commercial activities that receive supplies and related documents and information. This includes materiel handling and related actions, such as materials segregation and checking, and tallying incident to receipt.</p> <p>Includes commercial activities performing packing and crating operations described in T801H, incident to the movement or storage of household goods.</p> <p>Includes commercial activities that deliver stocks withdrawn from storage to shipping. Includes onloading and offloading of stocks from transportation carriers, blocking, bracing, dunnage, checking, tallying, and materiel handling in central shipping area and related documentation and information operations.</p>

CODE	DEFINITION
T801D: Care, Re-warehousing, and Support of Materiel.	Includes commercial activities that provide for actions that must be taken to protect stocks in storage, including physical handling, temperature control, assembly placement and preventive maintenance of storage aids, and realigning stock configuration; provide for movement of stocks from one storage location to another and related checking, tallying, and handling; and provide for any work being performed within general storage support that cannot be identified clearly as one of the subfunctions described above.
T801E: Preservation and Packaging.	Includes commercial activities that preserve, re-preserve, and pack materiel to be placed in storage or to be shipped. Excludes application of final (exterior) shipping containers.
T801F: Unit and Set Assembly and Disassembly.	Includes commercial activities that gather or bring together items of various nomenclature (parts, components, and basic issue items) and group, assemble, or restore them to or with an item of another nomenclature (such as parent end item or assemblage) to permit shipment under a single document. This also includes blocking, bracing, and packing preparations within the inner shipping container; physical handling and loading; and reverse operation of disassembling such units.
T801G: Special Processing of Non Stock Fund-Owned Materiel.	Includes commercial activities performing special processing actions described below that must be performed on Inventory Control Point (ICP) controlled, nonstock fund-owned materiel by technically

CODE	DEFINITION
<p>T801H: Packing and Crating.</p> <p>T8011: Other Storage and Warehousing.</p>	<p>qualified depot maintenance personnel, using regular or special maintenance tools or equipment. Includes disassembly or reassembly or re-serviceable ICP controlled materiel being readied for movement, in-house storage, or out-of-house location such as a port to a commercial or DoD operated maintenance or storage facility, property disposal or demilitarization activity, including blocking, bracing cushioning, and packing.</p> <p>Includes commercial activities that place supplies in their final, exterior containers ready for shipment. Includes the nailing, strapping, sealing, stapling, masking, marking, and weighing of the exterior container. Also, includes all physical handling, unloading, and loading of material within the packing and shipping area; checking and tallying material in and out; all operations incident to packing, repacking, or re-crating for shipment, including on-line fabrication of tailored boxes, crates, bit inserts, blocking, bracing and cushioning shrouding, overpacking, containerization, and the packing of material in transportation containers. Excludes packing of household goods and personal effects reported under code T801B.</p>
<p>T802: Cataloging.</p>	<p>Includes commercial activities that prepare supply catalogs and furnish cataloging data on all items of supply for distribution to all echelons worldwide. Include catalog files, preparation, and revision of all item identifications for all logistics functions; compilation of Federal catalog sections and allied publication; development of</p>

CODE	DEFINITION
	Federal item identification guides, and procurement identification descriptions. Includes printing and publication of Federal supply catalogs and related allied publications.
T803: Acceptance Testing.	Includes commercial activities that inspect and test supplies and materiel to ensure that products meet minimum requirements of applicable specifications, standards, and similar technical criteria; laboratories and other facilities with inspection and test capabilities; and activities engaged in production acceptance testing of ammunition, aircraft armament, mobility material, and other military equipment.
T804: Architect-Engineering Services.	Includes commercial activities that provide architect/engineer services. Excludes engineering and technical services reported in functional area T813.
T805: Operation of Bulk Liquid Storage.	Includes commercial activities that operate bulk petroleum storage facilities. Includes operation of off-vessel discharging and loading facilities, fixed and portable bulk storage facilities, pipelines, pumps, and other related equipment within or between storage facilities or extended to using agencies (excludes aircraft fueling services); and handling of drums within bulk fuel activities. Excludes aircraft fueling services reported under code T814.
T806: Printing and Reproduction.	Includes commercial activities that print, duplicate, and copy. Excludes user-operated office copying equipment.
T807: Audiovisual and Visual Information Services.	Includes commercial activities that provide base audiovisual (AV) and visual information (VI) support, production, depositories, technical documentation, and broadcasting.
T807A: Base VI Support.	Includes commercial activities that provide

CODE	DEFINITION
	still photographic products and services, graphic arts products and services, AV library services, AV training aids, models and displays, presentation services, and AV equipment maintenance. May also include photographic or electronic documentation for local use.
T807B: AV Production.	Includes commercial activities that produce, reproduce, distribute, and are accountable for all AV productions, as defined in DoD Regulation 5040.2 of 7 Dec 87.
T807C: AV Depositories.	Includes commercial activities that store, issue, receive, and maintain AV products at the central library level. Includes records center operations for AV products.
T807D: Technical Documentation.	Includes commercial activities that provide medical or intelligence documentation, optical instrumentation, and armament recording.
T807E: Broadcasting.	Includes commercial activities that produce, reproduce and distribute AV products/productions only for broadcast use.
T807F: VI Documentation.	Includes commercial activities that provide motion media (film or tape) still photography and audio recording of technical and nontechnical events, as they occur, usually not controlled by the recording crew. VI documentation (VIDOC) encompasses Operational Documentation (OPDOC) and TECDOC, OPDOC is VI (photographic or electronic) recording of activities, or multiple perspectives of the same activity, to

CODE	DEFINITION
<p>T807G: AV Central Library (Inventory Control Point).</p> <p>T807K: AV Design Service.</p>	<p>convey information about people, places and things.</p> <p>Includes commercial activities that receive, store, issue, and maintain AV products at the central library level. May or may not include records center operations for AV products.</p> <p>Includes commercial activities that provide professional consultation services involving the selection, design, and development of AV equipment, or AV facilities.</p>
T808: Mapping and Charting.	Includes commercial activities that design, compile, print, and disseminate cartographic and geodetic products.
T809: Administrative Telephone Service.	Includes commercial activities that operate and maintain the common-user, administrative telephone systems at DoD installations and activities. Includes telephone operator services; range communication; emergency action consoles, and the cable distribution portion of a fire alarm, intrusion detection, emergency monitoring and control data, and similar systems that require use of a telephone system.
T810: Air Transportation Services.	Includes commercial activities that operate and maintain nontactical aircraft that are assigned to commands and installations and used for administrative movement of personnel and supplies.
T811: Water Transportation Services.	Includes commercial activities that operate and maintain nontactical watercraft that are assigned to commands and installations and are used for administrative movement of personnel and supplies.

CODE	DEFINITION
T811A: Water Transportation Services (except tug operations).	
T811B: Tug Operations.	
T812: Rail Transportation Services.	Includes commercial activities that operate and maintain nontactical rail equipment assigned to commands and installation and used for administrative movement of personnel and supplies.
T813: Engineering and Technical Services.	Includes commercial activities that advise, instruct, and train DoD personnel in the installation, operation, and maintenance of DoD weapons, equipment, and systems. These services include transmitting the technical skill capability to DoD personnel so they can install, maintain, and operate such equipment and keep it in a high state of military readiness.
T813A: Contractor Plant Services.	Includes commercial manufacturers of military equipment contracted to provide technical and engineering services to DoD personnel. Qualified employees of the manufacturer furnish these services in the manufacturer plants and facilities. Through this program, the special skills, knowledge, experience, and technical data of the manufacturer are provided for use in training, training aid programs, and other essential services directly related to the development of the technical capability required to install, operate, maintain, supply, and store such equipment.
T813B: Contract Field Services (CFS).	Includes commercial activities that provide services of qualified contractor personnel who provide onsite technical and engineering services to DoD personnel.
T813C: In-house Engineering and	Includes commercial activities that provide

CODE	DEFINITION
<p>Technical Services.</p> <p>T813D: Other Engineering and Technical Services.</p>	<p>technical and engineering services described in code T813A and T813B above that are provided by Government employees.</p>
<p>T814: Fueling Service (Aircraft).</p>	<p>Includes commercial activities that distribute aviation petroleum, oil, and lubricant products. Includes operation of trucks and hydrants.</p>
<p>T815: Scrap Metal Operation.</p>	<p>Includes commercial activities that bale or shear metal scrap and melt or sweat aluminum scrap.</p>
<p>T816: Telecommunication Centers.</p>	<p>Includes commercial activities that operate and maintain telecommunication centers, nontactical radios, automatic message distribution systems, technical control facilities, and other systems integral to the communication center. Includes operations and maintenance of air traffic control equipment and facilities.</p>
<p>T817: Other Communications and Electronics Systems.</p>	<p>Includes commercial activities that operate and maintain communications and electronics systems not included in T809 and T816.</p>
<p>T818: Systems Engineering and Installation of Communications Systems.</p>	<p>Includes commercial activities that provide engineering and installation services, including design and drafting services associated with functions specified in T809, T816, and T817.</p>
<p>T819: Preparation and Disposal of Excess and Surplus Property.</p>	<p>Includes commercial activities that accept, classify, and dispose of surplus Government property, including scrap metal.</p>
<p>T820: Administrative Support Services.</p>	<p>Includes commercial activities that provide centralized administrative support services not included specifically in another functional category. These activities render services to multiple activities</p>

CODE	DEFINITION
<p>T820A: Word Processing Centers. T820B: Reference and Technical Libraries. T820C: Microfilming. T820D: Internal Mail and Messenger Services. T820E: Translation Services. T820F: Publication Distribution Centers. T820G: Field Printing and Publication.</p> <p>T820H: Compliance Auditing. T820I: Court Reporting. T820J: Other.</p>	<p>throughout an organization or to multiple organizations, such as providing a steno or typing pool rather than a secretary assigned to an individual. Typical activities included are word-processing centers, reference and technical libraries, microfilming, messenger service, translation services, and publication distribution centers.</p> <p>Includes those activities that print or reproduce official publications, regulations, and orders. Includes management and operation of the printing facility.</p>
<p>T821: Special Studies and Analyses.</p> <p>T821A: Cost Benefit Analyses. T821B: Statistical Analyses. T821C: Scientific Data Studies. T821D: Regulatory Studies. T821E: Defense, Education, Energy Studies. T821F: Legal/Litigation Studies.</p>	<p>Includes commercial activities that perform research, collect data, conduct time-motion studies, or pursue some other planned methodology to analyze a specific issue, system, device, boat, plane, or vehicle for management. Such activities may be temporary or permanent.</p>

CODE	DEFINITION
T821G : Management Studies.	
T900: Training Devices and Simulators.	Includes commercial activities that provide training aids, devices, simulator design, fabrication, issue, operation, maintenance, support, and services.
T999: Other Nonmanufacturing Operations.	
T000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
T000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.
T000C: ADP&E Support.	Includes ADP&E support personnel for the above coded functions.
T000D: Administrative Support.	Includes administrative, secretarial and office support personnel for the above coded functions.

EDUCATION AND TRAINING

Definition. Includes commercial activities that conduct courses of instruction attended by civilian or military personnel of the Department of Defense. Terminology of categories and subcategories primarily for military personnel (marked below by two asterisks (**)) follows the definitions of the statutory Military Manpower Training Report submitted annually to Congress. This series includes only the conduct of courses of instruction; it does not include education and training support functions (that is, Base Operations Functions in the S series and Nonmanufacturing Operations in the T series). A course is any separately identified instructional entity or unit appearing in a formal school or course catalog.

CODE	DEFINITION
U100: Recruit Training.	The instruction of recruits.
U200: Officer Acquisition Training.**	Programs concerned with officer acquisition training.
U300: Specialized Skill Training.**	Includes Army One-Station Unit Training, Naval Apprenticeship Training , and health care training.
U400: Flight Training.**	Includes flight familiarization training.

CODE	DEFINITION
U500: Professional Development Education.**	
U510: Professional Military Education.**	Generally, the conduct of instruction at basic, intermediate, and senior Military Service schools and colleges, and enlisted leadership.
U520: Graduate Education, Fully Funded, Full-Time.**	
U530: Other Full-Time Education Programs.**	
U540: Off-Duty (Voluntary) and On-Duty Education Programs.**	Includes the conduct of Basic Skills Education Program; English as a Second Language courses ; skill-development courses; and graduate, undergraduate, vocational/technical, and high school completion programs for personnel without a diploma.
U600: Civilian Education and Training.	Includes the conduct of courses intended primarily for civilian personnel.
U700: Dependent Education.	Includes the conduct of elementary and secondary school courses of instruction for the dependents of DoD overseas personnel.
U800: Training Development and Support.	Training development and support not reported under other codes.
U999: Other Training.	This code shall only be used for unusual circumstances and shall not be used to report organizations or work that can be accommodated under a specifically defined code.
U000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
U000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.
U000C: ADP&E Support.	Includes ADP&E support personnel for the above coded functions.
U000D: Administrative Support.	Includes administrative, secretarial and

CODE	DEFINITION
	office support personnel for the above coded functions.

AUTOMATIC DATA PROCESSING

CODE	DEFINITION
W824: Data Processing Services. W824A: Operation of ADP Equipment. W824B: Production Control and Customer Service. W824C: ADP Magnetic Media Library. W824D: Data Transcription/Data Entry Services. W824E: Transmission and Teleprocessing Equipment Services. W824F: Acceptance Testing and Recovery Systems. W824G: Punch Card Processing Services. W824H: Other ADP Operations and Support.	Includes commercial activities that provide ADP processing services by using Government-owned or -leased ADP equipment; participate in a Government-wide ADP sharing program; or procure time-sharing processing services (machine time) from commercial sources. Includes all types of data processing services performed by general-purpose ADP and peripheral equipment.
W825: Maintenance of ADP Equipment.	Includes commercial activities that maintain and repair all Government-owned ADP equipment and peripheral equipment.
W826: Systems Design, Development, and Programming Services. W826A: Development and Maintenance of Applications Software. W826B: Development and Maintenance of	Includes commercial activities that provide software services associated with nontactical ADP operation.

CODE	DEFINITION
Systems Software.	
W827: Software Services for Tactical Computers and Automated Test Equipment.	Includes commercial activities that provide software services associated with tactical computers and TMDE and ATE hardware.
W999: Other Automatic Data Processing.	This code shall only be used for unusual circumstances and shall not be used to report organizations or work that can be accommodated under a specifically defined code.
W000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
W000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.
W000D: Administrative Support.	Includes administrative, secretarial and office support personnel for the above coded functions.

PRODUCTS MANUFACTURED AND FABRICATED IN-HOUSE

Definition: Commercial activities that manufacture and/or fabricate products in-house are grouped according to the products predominantly handled as follows:

CODE	DEFINITION
X931: Ordnance Equipment.	Ammunition and related products.
X932: Products Made from Fabric or Similar Materials.	Includes the assembly and manufacture of clothing, accessories, and canvas products.
X933: Container Products and Related Items.	The design, engineering, and manufacture of wooden boxes, crates, and other containers; includes the fabrication of fiberboard boxes and the assembly of paperboard boxes with metal straps. Excludes on-line fabrication of boxes and crates reported in functional area T801.
X934: Food and Bakery Products.	The operation of central meat processing plants, pastry kitchens, bakery, and related facilities. Excludes food services reported

CODE	DEFINITION
	in functional areas S713 and H105.
X935: Liquid, Gaseous, and Chemical Products.	The provision of liquid oxygen, liquid nitrogen, and similar products.
X936: Rope, Cordage, and Twine Products; Chains and Metal Cable Products.	
X937: Logging and Lumber Products.	Logging and sawmill operations.
X938: Communications and Electronic Products.	
X939: Construction Products.	The operation of quarries and pits, including crushing, mixing, and concrete and asphalt batching plants.
X940: Rubber and Plastic Products.	
X941: Optical and Related Products.	
X942: Sheet Metal Products.	
X943: Foundry Products.	
X944: Machined Parts.	
X999: Other Products Manufactured and Fabricated In-House.	This code shall only be used for unusual circumstances and shall not be used to report organizations or work that can be accommodated under a specifically defined code.
X000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
X000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.
X000C: ADP&E Support.	Includes ADP&E support personnel for the above coded functions.
X000D: Administrative Support.	Includes administrative, secretarial and office support personnel for the above coded functions.

SELECTED FUNCTIONS

CODE	DEFINITION
Y100: Combat Forces.	Functions in operating forces that deploy to theaters or areas of operations where

CODE	DEFINITION
	there is probable exposure to hostile fire, or that support contingency operations in units that do not deploy but, due to the nature of their military mission, are subject to military attack, shall be designated military combat when the personnel must be trained and ready for combat and the use of deadly force. This includes manpower in units that will be engaged in, or provide direct support for military operations, or that provide service support under combat conditions.
Y120: Operational Planning and Control.	Includes functions that develop and distributes the planning of operations under the Joint Operation Planning System procedures or provide command and control of contingency operations other than war as well as wartime operation plans.
Y130: Intelligence.	Includes functions that perform, direct or control collection, interpretation and dissemination of intelligence/counter-intelligence to the combat, combat support and combat service support units; commanders and combat planners.
Y200: Commanders and Support Staff:	Includes functions which have changing direction everyday such that a personal service type contract would be required to perform the function. This function include orderly room, safety, administrative support, and part of public affairs not covered in other functional areas.
Y300: Embassy Activities:	Includes functions that perform work in U.S. Embassies.
Y400: Legal Services:	Includes functions that advise commanders, staffs and individuals on military justice, disciplinary actions, and adverse administrative law matters. Provide legal assistance related to military readiness such as wills. Protect resources

CODE	DEFINITION
	and decision-making prerogatives. (Note: Court Reporting is code T820I)
Y410: Criminal Investigation:	Includes functions that conduct criminal investigations.
Y420: Judicial:	Includes functions that directly prosecute, defend, and judge DoD personnel or represent DoD within the court system or at public hearings. This includes personnel responsible for Article 36 hearings. (Note: Court Reporting is code T820I)
Y430: Administrative Hearings:	Includes those who are appointed on a full- time basis to hold administrative hearings to determine the eligibility of any person for a security clearance, or involving actions that affect matters of personal reputation or eligibility to participate in Government programs.
Y440: Federal Licensing and Permitting:	Includes functions that certify personnel, equipment and organizations with licenses or permits. Does include certification such thing as Federal Aviation Agency's Class three aviation systems equipment such as instrument landing systems, and do Terminal Area Planning. Does not include those who issue vehicle or support equipment operating licenses
Y510: Budget and Financial Program Management:	Includes functions that are responsible for budget formulation and execution as well as functions responsible to advise commanders, directors and staffs on budgets, obligations and disbursements. Also includes functions that obligate, disburse, collect and control public funds on behalf of the DoD.
Y520: Public Works and Real Property Maintenance Program Management:	Includes functions that are responsible for assignment of real property, obtaining lease space and disposal of real property, as well as management of public works.
Y530: Personnel, Community Activities	Includes functions that are responsible for

CODE	DEFINITION
and Manpower Program Management:	personnel issues such things as military and civilian personnel recruitment, determining which personnel are fully qualified for Government employment, equal opportunity and treatment programs, personnel management program and labor relations. Also includes functions that are responsible for organization structure, manpower requirements and manpower resource management programs.
Y540: Maintenance and Logistics Program Management:	Includes functions which have specific responsibility for policy implementation and execution of maintenance or logistic programs.
Y550: Information and Telecommunications Program Management:	Includes functions which have specific responsibility for policy implementation and execution of Information or Telecommunications Programs.
Y600: Contracting:	Includes functions that are directly involved in the decision making in contracting for needed equipment, supplies and services not covered under systems and equipment management.
Y650: Acquisition (Equipment and Weapons Systems):	Include functions that are responsible for acquiring new or major modifications to equipment and systems, inventory control point program, and equipment management program.
Y999: Other Functions:	Includes those activities not covered in any other section of the inventory. This code shall only be used for unusual circumstances and shall not be used to report organizations or work that can be accommodated under any other specifically defined code.
Y000A: Management:	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
Y000B: Management Support:	Includes non-supervisory management

CODE	DEFINITION
	support personnel for the above coded functions.
Y000C: ADP&E Support:	Includes ADP&E support personnel for the above coded functions.
Y000D: Administrative Support:	Includes administrative, secretarial and office support personnel for the above coded functions.

MAINTENANCE, REPAIR, ALTERATION, AND MINOR CONSTRUCTION OF REAL PROPERTY.

CODE	DEFINITION
Z991: Buildings and Structures—Family Housing.	Includes commercial activities that are engaged in exterior and interior painting and glazing; roofing; interior plumbing; interior electric; interior heating equipment, including heat sources under 750,000 BTU capacity; installed food service and related equipment; air conditioning and refrigeration with less than a 5-ton capacity; elevators; and other equipment affixed as part of the building and not included in other activities. Includes fencing, flagpoles, and other miscellaneous structures associated with family housing.
Z991A: Rehabilitation--Tenant Change.	
Z991B: Roofing.	
Z991C: Glazing.	
Z991D: Tiling.	
Z991E: Exterior Painting.	
Z991F: Interior Painting.	
Z991G: Flooring.	
Z991H: Screens, Blinds, etc.	
Z991I: Appliance Repair.	
Z991J: Electrical Repair. Includes elevators, escalators, and moving walks.	
Z991K: Plumbing.	
Z991L: Heating Maintenance.	

CODE	DEFINITION
Z991M: Air Conditioning Maintenance. Z991N: Emergency/Service Work. Z991T: Other Work.	
Z992: Buildings and Structures—Other Than Family Housing.	Includes commercial activities that are engaged in exterior and interior painting and glazing; roofing, interior plumbing; interior electric; interior heating equipment, including heat sources with less than 750,000 BTU capacity; installed food service and related equipment; air conditioning and refrigeration with less than a 5-ton capacity; elevators; and other equipment affixed as part of the building and not reported under other functional codes. Includes fencing, flagpoles, guard and watchtowers, grease racks, unattached loading ramps, training facilities other than buildings, monuments, grandstands and bleachers, elevated garbage racks, and other miscellaneous structures.
Z992A: Rehabilitation--Tenant Change. Z992B: Roofing. Z992C: Glazing. Z992D: Tiling. Z992E: Exterior Painting. Z992F: Interior Painting. Z992G: Flooring. Z992H: Screens, Blinds, etc. Z992I: Appliance Repair. Z992J: Electrical Repair. Includes elevators, escalators, and moving walks. Z992K: Plumbing. Z992L: Heating Maintenance. Z992M: Air Conditioning Maintenance. Z992N: Emergency/Service Work. Z992T: Other Work.	
Z993: Grounds and Surfaced Areas.	Commercial activities that maintain, repair, and alter grounds and surfaced areas

CODE	DEFINITION
<p>Z993A: Grounds (Improved).</p> <p>Z993B: Grounds (Other than Improved).</p> <p>Z993C: Surfaced Areas.</p>	<p>defined in codes Z993A, Z993B, and Z993C, below</p> <p>Includes improved grounds, including lawns, drill fields, parade grounds, athletic- and recreational facilities, cemeteries, other ground areas, landscape and windbreak plants, and accessory drainage systems.</p> <p>Small arms ranges, antenna fields, drop zones, and firebreaks. Also grounds such as wildlife conservation areas, maneuver areas, artillery ranges, safety and security zones, desert, swamps, and similar areas.</p> <p>Includes airfield pavement, roads, walks, parking and open storage areas, traffic signs and markings, storm sewers, culverts, ditches, and bridges. Includes sweeping and snow removal from streets and airfields.</p>
<p>Z997: Railroad Facilities.</p>	<p>Includes commercial activities that maintain, repair, and alter narrow and standard gauge two-rail tracks, including spurs, sidings, yard, turnouts, frogs, switches, ties, ballast, and roadbeds—with accessories and appurtenances, drainage facilities, and trestles .</p>
<p>Z998: Waterways and Waterfront Facilities.</p>	<p>Includes commercial activities that maintain, repair, and alter approaches, turning basins, berth areas and maintenance dredging, wharves, piers, docks, ferry racks, transfer bridges, quays, bulkheads, marine railway dolphins, mooring, buoys, seawalls, breakwaters, causeways, jetties, revetments, and similar structures. Excludes waterways maintained by the Army Corps of</p>

CODE	DEFINITION
	Engineers river and harbor programs. Also excludes buildings, grounds, railroads, and surfaced areas located on waterfront facilities.
Z999: Other Maintenance, Repair, Alteration, and Minor Construction of Real Property.	This code shall only be used for unusual circumstances and shall not be used to report organizations or work that can be accommodated under a specifically defined code.
Z000A: Management.	Includes authorizations for managers/supervisors for the above coded functions (does not include first line supervisors).
Z000B: Management Support.	Includes non-supervisory management support personnel for the above coded functions.
Z000C: ADP&E Support.	Includes ADP&E support personnel for the above coded functions.
Z000D: Administrative Support.	Includes administrative, secretarial and office support personnel for the above coded functions.

Appendix K--Compelling Reason Codes

These codes are from the 30 September 1998 submission of the Inherently Governmental and Commercial Activities Inventory to the Office of the Secretary of Defense and are subject to change. They are provided for reference only and additional guidance will be promulgated separately for future inventory reporting.

DoD Manpower Mix Criteria

REASON CODES		Type of DoD Manpower	
Inherently Governmental	Exempt From Competition *		
A Military Combat C Military Unique Knowledge & Skills	B Military Combat Augmentation D Military Image & Esprit de Corps E Military Rotation F Military Career Progression	Military Essential	CORE MANPOWER
G Civilian Authority & Direction H Civilian Expertise & Control	I Civilian National Security & Operational Risk	Civilian Essential	
J EO, Law, Treaty, or International Agreement K Legislatively Mandated Floors	L DoD Management Determination	Restricted	NON-CORE MANPOWER
Subject to Competition or Direct Conversion		Not Restricted	
M Based on Cost Comparison N Pending Contract Award O Pending Cost Comparisons Results P Pending Restructuring Decision Q Based on Terminated Cost Comparison R Subject to Review			

Order of Precedence for Coding Manpower Mix

* Government Performance is Required (includes both commercial activities that must remain in-house according to the specific reason codes and some inherently governmental activities not covered by reason codes A, C, G, or H.